

# **City of Baltimore, Maryland**

Comprehensive Annual Financial Report  
Year Ended June 30, 1999

## **Prepared by the Department of Finance**

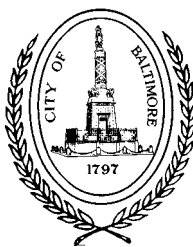
William R. Brown, Jr.

*Director of Finance*

## **Bureau of Accounting and Payroll Services**

Robert O. Duncan, Jr.

*Bureau Chief*



---

## ELECTED OFFICIALS

---

MAYOR

Kurt L. Schmoke

PRESIDENT OF THE CITY COUNCIL

Lawrence A. Bell

COMPTROLLER

Joan M. Pratt

---

## BOARD OF ESTIMATES

---

PRESIDENT

Lawrence A. Bell

MAYOR

Kurt L. Schmoke

COMPTROLLER

Joan M. Pratt

DIRECTOR OF PUBLIC WORKS

George G. Balog

CITY SOLICITOR

Otho M. Thompson

---

## CITY COUNCIL

---

Lawrence A. Bell, *President*

Agnes Welch, *Vice-President*

---

### FIRST DISTRICT

John L. Cain

Nicholas C. D'Adamo, Jr.

Lois Garey

### SECOND DISTRICT

Paula Johnson Branch

Robert L. Douglass

Bernard C. Young

### THIRD DISTRICT

Rita R. Church

Robert Curran

Martin O'Malley

### FOURTH DISTRICT

Sheila Dixon

Keiffer J. Mitchell, Jr.

Agnes Welch

### FIFTH DISTRICT

Helen Holton

Stephanie Rawlings

Rochelle "Rikki" Spector

### SIXTH DISTRICT

Dr. Norman A. Handy, Sr.

Edward L. Reisinger

Melvin L. Stukes

---

City of Baltimore  
Comprehensive Annual Financial Report  
Year Ended June 30, 1999

---

# TABLE OF CONTENTS

---

Page(s)

## INTRODUCTORY SECTION

---

Title Page .....	I
Elected Officials .....	II
Table of Contents .....	III
Letter of Transmittal.....	V
Municipal Organization Chart.....	XVI
Certificate of Achievement for Excellence in Financial Reporting.....	XVII

---

## FINANCIAL SECTION

---

Independent Auditors' Report .....	1
------------------------------------	---

### **General Purpose Financial Statements**

Combined Balance Sheet — All Fund Types, Account Groups and Discretely Presented Component Unit.....	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances — All Governmental Fund Types, Expendable Trust Fund and Discretely Presented Component Unit.....	4
Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances — Budget and Actual — Budgetary Basis — General and Budgeted Special Revenue Funds .....	5
Combined Statement of Revenues, Expenses and Changes in Equity — All Proprietary Fund Types and Nonexpendable Trust Funds .....	6
Combined Statement of Cash Flows — All Proprietary Fund Types and Nonexpendable Trust Funds .....	7
Combined Statement of Changes in Plan Net Assets — Pension Trust Funds.....	8
Notes to General Purpose Financial Statements .....	9

### **Combining and Individual Fund Financial Statements and Schedules**

#### **General Fund:**

Schedule of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual (Budgetary Basis) .....	40
--	----

#### **Special Revenue Funds:**

Combining Balance Sheet.....	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (GAAP Basis) .....	43

Motor Vehicle Fund:	
Schedule of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual (Budgetary Basis).....	44
Special Racetrack Fund:	
Schedule of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual (Budgetary Basis).....	45
Enterprise Funds:	
Combining Balance Sheet.....	46
Combining Statement of Revenues, Expenses and Changes in Equity .....	47
Combining Statement of Cash Flows .....	48
Internal Service Funds:	
Combining Balance Sheet.....	49
Combining Statement of Revenues, Expenses and Changes in Equity .....	50
Combining Statement of Cash Flows .....	51
Trust and Agency Funds:	
Combining Balance Sheet.....	52
Combining Statement of Plan Net Assets — Pension Trust Funds.....	53
Statement of Revenues, Expenditures and Changes in Fund Balance — Expendable Trust Fund .....	53
Combining Statement of Revenues, Expenses and Changes in Fund Balances — Nonexpendable Trust Funds.....	54
Combining Statement of Cash Flows — Nonexpendable Trust Funds.....	54
Combining Statement of Changes in Plan Net Assets — Pension Trust Funds .....	55
Combining Statement of Changes in Assets and Liabilities — Agency Funds .....	56

---

## STATISTICAL SECTION

---

General Governmental Revenues by Source (GAAP Basis) — Last Ten Fiscal Years .....	58
General Governmental Expenditures by Function (GAAP Basis) — Last Ten Fiscal Years .....	58
Property Tax Levies and Collections — Last Ten Fiscal Years.....	59
Assessed and Estimated Actual Value of Taxable Property — Last Ten Fiscal Years .....	59
Property Tax Rates — Last Ten Fiscal Years .....	60
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures — Last Ten Fiscal Years .....	60
Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita — Last Ten Fiscal Years .....	61
Revenue Bond Coverage — Water Utility, Waste Water Utility, Parking Facilities and Convention Center Bonds — Last Ten Fiscal Years.....	62
Computation of Overlapping Debt.....	62
Real Property Value, Construction Permits and Bank Deposits — Last Ten Fiscal Years.....	63
Principal Taxpayers .....	63
Demographic and Miscellaneous Statistics .....	64

---

CITY OF BALTIMORE

KURT L. SCHMOKE, Mayor



DEPARTMENT OF FINANCE

WILLIAM R. BROWN, JR., Director  
469 City Hall  
Baltimore, Maryland 21202

---

December 6, 1999

Honorable President and Members of  
the Board of Estimates  
City of Baltimore, Maryland

In compliance with Article VII, Section 8, of the revised City Charter (November, 1964), submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Baltimore, Maryland, (the City) for the year ended June 30, 1999. The CAFR was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and, that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been provided.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart, a list of principal officials and the certificate of achievement for excellence in financial reporting. The financial section includes the general purpose financial statements and the combining and individual fund financial statements and schedules, as well as the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

### **The Reporting Entity and Its Services**

This report includes all of the fund and account groups of the City which we consider to be part of, controlled by or dependent on the City. Professional judgment must be used to determine whether or not a potential component unit should be included in the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the City's CAFR. Two component units, the Baltimore Industrial Development Authority and the New Baltimore City Board of School Commissioners, were considered to be part of the City's reporting entity when it was concluded that the City was financially accountable for these entities. During fiscal year 1999, the City determined that the Baltimore Community Development Finance Corporation (CDFC) no longer meets the criteria established by GAAP for inclusion in the financial statements. Accordingly, CDFC is not included in the City's reporting entity.

The City provides the full range of municipal services contemplated by statute or charter. This includes public safety (police and fire protection), water and waste water utilities, highways and streets, sanitation, health and human services, culture and recreation, education (elementary through high school), public improvements, planning and zoning, parking facilities, mortgage loan programs, industrial development and general and administrative services; these activities are included in the reporting entity. The Housing Authority of Baltimore City and certain other organizations are not considered to be component units and are not included in the City's general purpose financial statements.

### **Economic Condition and Outlook**

Baltimore is the center of the 15th largest metropolitan area in the country. At the beginning of calendar year 1999 it was the location of about 375,000 jobs or 33% of the jobs in the metropolitan area. The City is the northern anchor of the Washington-Baltimore Consolidated Metropolitan Statistical Area — the fourth largest, wealthiest, and one of the best-educated population centers in the country. The proximity to Washington and midwestern and northeastern markets, an excellent transportation system, international port, and access to a large and diversified work force continue to be cited as positive location factors. Pioneering regional cooperative efforts continued in 1999 on the joint Baltimore and Washington bid to bring the 2012 Olympic Games to the region. In 1999, the joint promotion of the region began in earnest as world championship sporting events and meetings of world athletes, coaches and promoters, were held in both the City and the region. The regional marketing efforts of the Greater Baltimore Alliance show important results. In 1999, W.R. Grace and Co. relocated its international headquarters to the Baltimore region.

The "suburbanization" of jobs and residences are major concerns guiding City policy development. Most central cities in the nation, particularly the northeastern and midwestern portions of the United States face the effects of regional shifts in

the nation's population, global corporate decision making, communications technology revolutions, electronic marketing, work place redesign, and continued suburban sprawl. According to the Maryland State Department of Health and Mental Hygiene, the City's population was estimated to be about 633,000 in July 1999. While many new job generators expand or locate in the City and the region, the number of jobs reported to be in the City declined between calendar year 1997 and 1998 from 382,000 to 379,000 or about 0.9%. While a much lower decline than experienced in the earlier part of the decade, the drop in jobs is a driving force influencing City policy decisions to support private job creation investments, and public safety and education programs enhancements.

The City continually rebuilds itself. That rebuilding process has been most successful on the waterfront. The original historic "neighborhoods" of Jonestown, Fells Point and Baltimore Town were built on the water at the fall line where the piedmont met the tidewater to exploit the streams and harbor waters. Baltimore has many streams connecting the neighborhoods that comprise the modern City and the harbor. Development policy once again recognizes the power of the water and moves to exploit that resource. The core, the world-renowned Inner Harbor development, provides a solid foundation for redevelopment. Development has spread from that core along the waterfront and is beginning to move back up the stream valleys. Just as the City exploited the waterfront over 200 years ago, the redevelopment and re-use of an expanding area of waterfront and stream valleys is underway. On the eastern edge of the Inner Harbor, nearly 1,000 hotel rooms are being built. The redevelopment has spread further east to the Northwest Branch of the Patapsco River. On the western edge of this stretch, an old furniture warehouse has been turned into a world class headquarters for information-age education and advertising firms. The American Can Company has been recycled into a multi-use, high tech incubator, world headquarters office space, and major retail attraction. Further east, a 100 year old broom factory building complex has been recycled as a low cost, but "wired for the information age" office center for high tech web page, internet system, and other information age businesses. Continuing east, beyond Canton, the old China trade center, an obsolete oil tank farm is being converted into a modern office/industrial park to take advantage of the new China trade possibilities. On the south side of the Northwest Branch of the Patapsco, a very large and totally obsolete waterfront consumer products factory is being converted into modern office space, space which is being leased even before the project is completed. On the south side, heading back to the Inner Harbor, a new sailing center provides a place for lessons in recreational sailing. Nearby, new town homes near the waterfront are completely pre-sold.

Water, not only Inner Harbor water, but water connecting Baltimore's neighborhoods to the Inner Harbor, provides a unique resource, an attraction which draws people and businesses to the City. Recognizing this, the City in fiscal year 1998 closed a major transportation artery, the Jones Falls Expressway, for a day so that the stream valley, one of the original Baltimore arteries, could be enjoyed as a recreational opportunity. High speed expressway gave way to bicyclists, joggers, and walkers and below, rock climbers and canoeists enjoyed the stream valley. This reflects the City's recognition that public amenities are key to revitalizing the City. Thousands of people came. The event was repeated in fiscal year 2000. The City's use of the powerful development tool, water, is reflected in its commitment to the development of a multi-million dollar, 14-mile hike/bikeway connecting the communities along the Gwynns Falls in the west and southwestern portion of the City. The first 4.5 mile phase of the project which connects neighborhoods to the Inner Harbor is complete. Work on the Inner Harbor promenade, connecting the Museum of Industry, on the south side of the Inner Harbor to the industrial park on the edge of Canton on the Northwest Branch, is nearly complete. These waterway connections build upon the success of the Inner Harbor. They connect the City, its neighborhoods and residents, in a human scale with recreational amenities key to development.

While downward job and population trends constitute major concerns, fiscal year 1999 saw much positive economic news. The City shared in the State and national economy's expansion. Among the many positives were the following notable items:

- The real property tax base grew in fiscal year 1999 for the first time since fiscal year 1994, reversing the downward trend in property valuation from the recession of the early 1990's.
- The number of taxable income tax returns grew 3%, the first increase in this indicator in nearly two decades.
- The City, for the second year in a row led the region's suburban counties in the growth rate of home sales, with a 24.4% increase in sales volume.
- For four years in a row, the commercial office vacancy rate continued to show significant improvement declining from about 15% at the end of fiscal year 1998 to about 12% in fiscal year 1999. Vacancies in premier Inner Harbor locations are in the mid to low single digit range.
- Total passenger volume at the Baltimore/Washington International Airport increased by 6.5%, from 14.1 to 15.0 million passengers, and freight traffic grew 19%.
- Total roll-on/roll-off volume at the Port of Baltimore increased 28.5% between calendar year 1996 and 1998, making the Port the premier "roro" port in the nation, and constituting one of several signs of the Port's re-invention as a major port-of-call.
- Taxable hotel sales posted over 7% growth in fiscal year 1999, exceeding the average rate of growth in the 1990's and occupancy rates remained well above 70%. Construction began on two new hotels.

Baltimore's stature as a visitor destination point continues to rise. The Baltimore Area Convention and Visitors Bureau hired its first dedicated staff for the leisure tourist industry and opened its first branch office to promote convention business. The continued ability of the City to attract visitors is due to a flow of new attractions coming on-line and promotion and improvement of current attractions. Port Discovery, the new children's museum opened in December 1998, and is on course to becoming the fifth most popular visitor destination in the City in its first year. On-going attractions drew record numbers of visitors in 1999. For instance, Artscape and the Maryland Science Center attracted a record 1.5 million and 645,000 visitors, respectively. The Baltimore Orioles remained the number one draw in the American League.

The "1998 City Business Tax Study," a study done by Vertex Inc., a national supplier of state and local tax information, found Baltimore to have the fourth lowest combined federal, state, and local business taxes among 27 major U.S. cities examined. Only three cities, Las Vegas, Atlanta, and Denver, were found to have a lower business tax burden. This finding is supported by real property tax research reported by the National Tax Foundation and review of annual financial reports. After adjusting for varying assessment ratios, the effective property tax rate in Baltimore City is lower than the northeastern U.S. cities of Philadelphia, Pittsburgh, Cleveland, Detroit, and Newark, among others. It is lower than or competitive with cities such as Atlanta, Houston, Milwaukee, and others.

Major education and health institutions, including the University of Maryland and Johns Hopkins continue to invest in City based facilities with about \$1 billion in projects completed, initiated, or underway in 1999. The University of Maryland at Baltimore completed work on a dozen major projects in 1998 and 1999, with cost of about \$385 million. Construction began on the 380,000 square foot, \$145 million regional comprehensive critical care facility, the centerpiece of the University Medical Systems Phase III development plans. To the east, Johns Hopkins Medical Center completed and opened its new \$184 million Cancer Research and Treatment Center building. Other Baltimore based medical institutions expanded investments, all contributing to Baltimore's reputation as the location of the best medical care facilities in the world.

## MAJOR INITIATIVES

Trends in population and employment and the continuing concentration of a disproportionate share of the State's poor comprise a set of concerns, which guide the formulation of the City's program objectives. The City has consistently been a national leader, developing innovative approaches to the problems endemic to center cities. These initiatives are accomplished within the constraints of a budget facing limited local revenue growth. They often involve creative use of Federal, State, and private grant resources.

National recognition for model programs has been earned by Baltimore in a broad range of areas. In 1999 the National Association of Police Athletic Leagues recognized the Baltimore Police Athletic League program as the model program in the United States. The U.S. Environmental Protection Agency named Baltimore a "Brownfield's Showcase Community." The City continues to be a pioneer in dealing with major urban health problems. In 1999, the U.S. Center for Disease Control named Baltimore as one of the top two urban areas in the nation for pre-school vaccination compliance. The City is number one in vaccination of the pre-school African-American population and number two overall. This accomplishment has been achieved despite a 68% reduction in Federal funding for the program. It is accomplished through creative partnering with businesses to fund the mobile immunization program, and an innovative non-profit partnership to provide funding to support public information programs. The City has won the 1999 National Leadership Award from the "Every Child by Two" Foundation, led by former President Jimmy Carter's wife, Rosalynn Carter. While dealing with the fundamental problems facing an old urban center, Baltimore built upon its international recognition as the most successful stop in the world's premier sailing race, the Whitbread Round the World Race. Baltimore has been designated as one of only seven U.S. port cities to host a week long international maritime extravaganza celebrating the millennium for "OpSail 2000." This event will mark the opening of the new century, with the world's largest tall ship and maritime event ever to be held.

The City is successfully moving forward to integrate its Program Performance Planning system with its annual budget process. The City has published for the second year, in conjunction with its annual budget document, a Program Performance Measurement Project report. The following sections provide examples of 1999 initiatives and accomplishments for each major objective.

### Public Health and Safety

*Objectives:* Protect the lives, property, and the environment of residents, ensure maximum health and health care, and reduce the fear and the incidence of violent crime.

*Fiscal Year 1999 Examples:* Progress was made in the health arena as calendar year 1998 statistics show the lowest number of new tuberculosis cases in the history of the City going back to 1797. There was a 31 percent decrease in the number of syphilis cases that had been rising due to the crack cocaine epidemic. Other sexually transmitted diseases also



decreased. There was nearly a 100% increase in the number of drug treatment slots for the uninsured and a near doubling in the number of clients treated for substance abuse between 1996 and 1998. Teen birth, infant mortality, and HIV incidence rates all improved.

City-wide crime statistics improved in fiscal year 1999. Grant funding underwrote initiatives in fiscal year 1999 to control youth gun violence, recruit college trained personnel, and deal with gang violence. All these initiatives contribute to crime rate reduction. Concerns for safety at the Convention Center, a high visibility facility are important. Innovations in security programs implemented in fiscal year 1999 resulted in a 50% reduction in thefts.

The Fire Department continually seeks innovative approaches towards fire safety education, in particular promoting the use of smoke detectors. The efforts have paid off as the City has lower than national average fire death and property loss rates for large cities.

### **Neighborhood Stabilization and Revitalization**

*Objectives:* Reduce the number of vacant properties, increase the number of stable blocks by 5% annually, and achieve a net increase in homeowner-occupied residences by 1,000.

*Fiscal Year 1999 Examples:* The City's overall objective of increasing homeownership to 50% by the year 2000 was surpassed some time ago. In fiscal year 1999, the homeownership rate is estimated to be about 55%. The overall number of rental and owner occupied units developed increased from 437 to 843 in 1999. The number of new homeowners receiving assistance from the City's model Settlement Expense Loan Program (SELP) and other housing initiatives (Live Near Where You Work, Housing Venture Fund, City Employee Grant, only other programs) has grown substantially. For instance, SELP activity was up 19% to nearly 1,700 loans. Despite the various initiatives, the number of neighborhoods with less than 2% unoccupied housing units, a measure of stabilization, only decreased from 152 to 148. The number of abandoned structures increased in 1999 as well. The Program Performance Measurement tool highlights these trends and provides the framework necessary to prioritize and focus City efforts on developing innovative answers to key problems.

### **Environment**

*Objectives:* Reduce grime in City neighborhoods and provide an aesthetically acceptable environment.

*Fiscal Year 1999 Examples:* The problem of vacant and abandoned housing continues to be a growing concern and focus of major efforts by the City, principally through the Department of Housing and Community Development, which has initiated several housing and neighborhood commercial stabilization efforts. A principal focus has been on enforcement. The number of cases sent to Housing Court for lack of code compliance has increased 85% to over 3,900 cases in 1999. The number of abandoned properties demolished utilizing city resources nearly doubled in fiscal year 1999 from 838 to 1,439. Additional derelict properties were abolished by private parties, frequently in response to City enforcement actions. A new Environmental Control Board, with enforcement officers and powers to fine, constitutes an innovative enforcement tool, and results in more code requirement awareness.

### **Employment and Income**

*Objectives:* Reduce the density of poverty in the City, and improve the economic and business climate to produce a net increase in the number of businesses and the number of jobs for residents.

*Fiscal Year 1999 Examples:* The Office of Employment Development exceeded its employment, placement, training, summer jobs, and drop out prevention objectives. A stronger economy, management focus on specific objectives, increased funding, and more participation by the business community all combined towards this end. For instance, the target of placing 1,000 welfare recipients in jobs was exceeded by over 40% and the summer job placement target was exceeded by over 30%. The Baltimore Development Corporation established ambitious targets for its 1999 program. Major progress was made on important redevelopment efforts, most notably the Westside Redevelopment Plan. Over 1,000 new jobs came to the City and about 2,300 jobs were retained as a result of the Corporation's programs. Downtown's job growth is estimated to exceed state and national rates. The challenge remains to increase job growth city-wide.

### **Be the City that Reads**

*Objective:* Increase the percent of employable high school graduates.

*Fiscal Year 1999 Examples:* The Enoch Pratt Free Library received a grant from the Bill and Linda Gates Foundation to initiate computer literacy training centers in libraries located in neighborhoods with a high concentration of poverty. The



library opened the first centers in fiscal year 1999. In addition, the Library using the program performance project has focused staff resources on serving school aged youth. The number of children participating in library programs has increased over five fold in just three years, from about 14,100 participants in fiscal year 1997 to nearly 73,600 in fiscal year 1999.

### **Quality of Life/Perception of Quality of Life**

*Objectives:* Provide equity in the use of information technology, recreational and cultural opportunities, and increase resident involvement in City government.

*Fiscal Year 1999 Examples:* Recreational opportunities were expanded enormously as the City opened the first phase of the 14.5 mile Gwynns Falls hike/bikeway, completed additional work on the Inner Harbor promenade, initiated improvements linking Druid Hill Park to the Jones Falls, and continued funding for improvements at the Baltimore Zoo and elsewhere. The Department of Recreation and Parks estimates that the number of recreation center and special facility users increased from about 1.3 million to 1.8 million. The Department more than doubled the number of registered volunteers and increased by 50% the public private partnerships involved in park programs and facilities. The Police Department increased the number of volunteers in its various block watch, Police Athletic League, and other programs over 10% in 1999. City web site information has increased and the use of the Enoch Pratt Free Library's web site increased nearly 800% in 1999. The Library's kiosk site usage increased over 700%.

### **Government Efficiency and Performance**

*Objectives:* Reduce time and increase efficiency in processing of financial transactions, speed up delivery and improve quality of services, establish customer service standards, and within appropriate service levels minimize cost of all government operations.

*Fiscal Year 1999 Examples:* A notable example is in the Building Permits Section of the Department of Housing and Community Development. The Section redesigned its permitting process, increasing from 85% to 99.7% the number of building plans received and processed in less than 30 days. In fiscal year 1999, the Department of Public Works redesigned trash collection routes that will allow a reduction of 36 load packers and elimination of 56 budgeted positions when implemented in the fiscal year 2000 budget. The Department of Personnel initiated use of a medical bill auditing service that resulted in a reduction of claims expense. Unemployment claims costs have been reduced due to changes in documentation and agency response to claims. The introduction of a new credit card procurement program sped up all related financial transactions.

### **Major Financial Accomplishments**

While funding innovative programs, and producing balanced budgets, continued budgetary improvements must be realized in order to balance expenditure requirements with the limited growth that the City has in its own source-local revenue base. The strong economy and effective budget management, have enabled the City to improve substantially its fund balance position. Significant additions were made to the budget stabilization fund, which, at June 30, 1999, had a balance of \$17.3 million. When combined with the undesignated unreserved fund balance of \$3.9 million, the total of \$21.2 million comprises about 2.5% of General Fund revenues, a major step towards the City's goal of 5%.

### **Information Technology**

The City's Information Technology Board (ITB), established by the Mayor in January 1997, continues to provide overall direction for the City's comprehensive Year 2000 Readiness Program through a cross-functional Y2K Program Management Team. The ITB further directed the establishment of a Committee of Information Technology (CITLeads), requiring each City department and agency to select a member to serve on this body. The CITLeads have assumed ownership for their departmental or agency specific Y2K efforts. The Y2K Program Management Team has facilitated and coordinated the overall City effort by establishing a city-wide standardized approach for achieving Y2K readiness. Refer to the unaudited Required Supplemental Information, Note 19, for additional information regarding Y2K.

The City commenced the implementation of a new Enterprise Resource Planning (ERP) System. The distributed architecture, Oracle based systems are scheduled to come on-line during fiscal year 2000 and will replace decades old legacy applications.

The City continues to build a robust enterprise-wide computer network for internal and external electronic communications. Fundamental to this initiative is a multi-year, comprehensive network administration contract that allows the City to effectively compete for the scarce technically skilled personnel needed to establish and maintain complex information exchange networks.

## FINANCIAL INFORMATION

### Accounting System and Budgetary Control

The City's accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The accounting and financial reporting policies of the City included in this report conform to generally accepted accounting principles (GAAP) and reporting standards as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants (AICPA), and other appropriate sources. The financial statements of the General, Special Revenue, Debt Service, Capital Projects and Expendable Trust Funds are prepared on the modified accrual basis of accounting, whereby revenues are recorded when they become both measurable and available to finance expenditures of the current period. Expenditures are generally recorded when goods and services are received and actual liabilities are incurred and become payable with expendable available financial resources. The financial statements of the Enterprise, Internal Service, Nonexpendable Trust and Pension Trust Funds are prepared on the accrual basis of accounting, whereby revenues/additions are recorded at the time they are earned and expenses/deductions are recorded when liabilities are incurred. Encumbrance accounting, under which purchase orders, contracts, approved requisitions, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the General, Special Revenue and Capital Projects Funds. Encumbrances are treated as a reservation of fund balance for these funds.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and its amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, and auditors' report on compliance and on internal control over financial reporting, is included in the separate single audit report.

Budgetary control is maintained at the agency level in accordance with the Ordinance of Estimates as mandated by the Charter of Baltimore City for each operating fund and at the project level for each capital project by the encumbrance of estimated purchase or contract amounts prior to the release of purchase orders to vendors.

### General Fund Operations

The General Fund accounts for all revenues and expenditures which are not accounted for in other funds. It is the principal fund of the City and finances most City governmental functions.

General Fund budgetary revenues and other financing sources totaled \$887,875,000 for fiscal year 1999, as compared to \$872,393,000 for fiscal year 1998, an increase of \$15,482,000 or 1.7%. Property taxes produced 53.3% of these revenues in fiscal year 1999, the same percentage as in fiscal year 1998. The following tabulation shows the source of these revenues.

Source	Fiscal 1999 Amount (In Thousands)	Percent of Total	Increase (Decrease) From Fiscal 1998 (In Thousands)	Percent of Increase (Decrease)
Local taxes:				
Property .....	\$473,269	53.3%	\$ 8,463	1.8%
Income .....	145,270	16.4	7,522	5.2
Other .....	82,087	9.2	4,014	4.9
Licenses and permits .....	17,954	2.0	(145)	(0.8)
Fines and forfeitures .....	2,679	0.3	460	17.2
Interest, rentals and other investment income .....	34,912	4.0	2,267	6.5
Federal, state, and other grants .....	69,233	7.8	2,098	3.0
Charges for current services .....	32,863	3.7	898	2.7
Other .....	2,900	0.3	(11,362)	(391.8)
Transfers from other funds .....	26,708	3.0	1,267	4.7
Totals .....	\$887,875	100%	\$ 15,482	1.7%

Revenues from real and personal property taxes in fiscal year 1999 increased \$8,462,000 or 1.8% compared to the prior year.

Assessed valuations of all taxable property were \$8.311 billion, an increase of 2.3% over fiscal year 1998. Real property assessed valuations totaled \$6.829 billion, an increase of .1% over the previous year.

The City's 1999 total property tax levy was \$483,042,000, of which \$467,651,000 or 96.8% was collected through June 30, 1999, which compares to 97% for the previous year. Delinquent tax collections were \$368,000 higher than in fiscal year 1998. The ratio of total tax collections to the current tax levy was 98.8%, compared to 99% last year.

Income tax revenue for fiscal year 1999 was up \$7,522,000 over the prior year due to the improvement in the economy.

Other revenues decreased by \$11,362,000 from last year, attributable primarily to non-recurring events in fiscal year 1998.

Budgetary based expenditures and encumbrances and other financing uses totaled \$897,636,000 for fiscal year 1999 as compared to \$863,833,000 for fiscal year 1998, an increase of \$33,803,000 or 3.9%, as shown in the following tabulation:

Function	Fiscal 1999 Amount (In Thousands)	Percent of Total	Increase (Decrease) From Fiscal 1998 (In Thousands)	Percent of Increase (Decrease)
General government .....	\$175,379	19.6%	\$ (7,414)	(4.2)%
Public safety and regulation .....	301,680	33.6	5,825	1.9
Conservation of health .....	23,210	2.6	419	1.8
Social services .....	991	.1	181	18.3
Education .....	921	.1	12	1.3
Public library .....	18,087	2.0	1,404	7.8
Recreation and culture .....	23,809	2.7	(12,921)	(54.3)
Highways .....	4,570	.5	3,752	82.1
Sanitation and waste removal .....	32,368	3.6	2,126	6.6
Public service .....	10,752	1.2	1,338	12.4
Economic development .....	18,323	2.0	(543)	(2.9)
Transfers to other funds .....	89,998	10.0	36,148	40.2
Transfers to component units .....	197,548	22.0	3,476	1.8
Totals .....	\$897,636	100%	\$ 33,803	3.9%

Public safety and regulation increased by \$5,825,000 or 1.9% from fiscal year 1998. This increase is attributed to a one time reduction related to the City's contribution for the Fire and Police Employees' Retirement System that occurred in fiscal year 1998.

Recreation and culture decreased by \$12,921,000 or 54.3% from fiscal year 1998. This decrease was primarily caused by shifting maintenance responsibilities to the Department of Public Works.

Transfers to other funds increased \$36.1 million attributed, primarily, to an increase in the amount forwarded to the Capital Projects Fund for pay-as-you-go projects from \$13.1 million in fiscal year 1998 to \$46.2 million in fiscal year 1999.

The City concluded fiscal year 1999 with an unreserved fund balance, on the budgetary basis, of \$23,310,000. Of this amount, \$16,900,000 has been designated for subsequent year's expenditures. After allocating \$2,490,000 to satisfy additional liabilities recorded under GAAP, there remains an undesignated fund balance of \$3,920,000 on a GAAP basis.

### Special Revenue Funds

These funds are used to account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to be expended for specific purposes. Following are comments on the individual funds included under this category.

*Grants Revenue Fund* — The City government currently administers approximately 500 Federal, State, and other sources supported grant programs in this fund. For fiscal year 1999, a total of \$230,907,000 was expended for various governmental operating functions which were supported from the following funding sources:

Source	Amount (In Thousands)
Federal grants .....	\$169,854
State grants .....	49,457
Other grants .....	11,596
Total .....	<u>\$230,907</u>

Grant appropriations are not closed out annually, but are carried forward to succeeding fiscal years as on-going programs until concluded or otherwise liquidated.

*Motor Vehicle Fund* — This fund was established to account for highway user revenues distributed to Baltimore City by the State of Maryland which must be used for the construction, reconstruction or maintenance of the streets and highways in Baltimore City and other related activities as provided for under applicable provisions of the State law.

Budgetary basis revenues credited to this fund, from State distributions and other sources, in fiscal year 1999 were \$164,472,000. Expenditures and encumbrances and other financing uses totaled \$172,686,000 for the year. At June 30, 1999, unreserved fund balance, on the budgetary basis, was \$4,869,000.

*Community Development Block Grant Fund* — This fund was established to account for the financial activities of Federal grant entitlements awarded to the City by the U.S. Department of Housing and Urban Development under provisions of Title I of the Housing and Community Development Act of 1974. Generally, these grants replace a number of former categorical grant programs for certain urban renewal, neighborhood development and model cities activities. These grants, which are awarded annually, do not have termination dates for incurring expenditures and remain open until fully expended by grant years. During fiscal year 1999, the City recorded revenues of \$32,066,000 in Federal funds for a like amount of incurred expenditures and financing uses.

*Special Racetrack Fund* — This fund accounts for State distributions of certain horse racing tax revenues to assist in the funding of services and facilities located within six miles of specified race tracks. During fiscal year 1999, the City received from the State a total of \$577,000 and had recorded expenditures and encumbrances and other financing uses for the year totaling \$419,000. At June 30, 1999, fund balance on the budgetary basis was \$453,000, of which \$262,000 was appropriated for fiscal year 2000 operations.

### Enterprise Funds

The Enterprise Funds account for those operations that are financed and operated in a manner similar to a private business enterprise, where the cost (expenses, including depreciation) of providing services to the general public is recovered in whole or in part through user charges.

The following summary (amounts expressed in thousands) reflects results of operations for the Enterprise Funds for the current fiscal year:

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non- Operating Revenues (Expenses)	Operating Transfers (Out)	Net Income (Loss)
Water Utility .....	\$ 72,949	\$ 68,349	\$ 4,600	\$ (943)		\$ 3,657
Waste Water Utility .....	105,718	104,226	1,492	934		2,426
Parking Facilities .....	41,248	4,879	36,369	(6,469)	\$(26,708)	3,192
Loan and Guarantee Program .....	1,240	3,220	(1,980)			(1,980)
Industrial Development Authority.....	4,644	3,693	951			951

### Retirement Plans

Professional employees of the New Baltimore City Board of School Commissioners and the Enoch Pratt Free Library are members of the State of Maryland Retirement System to which the City is not required to contribute. The City contributes to four retirement plans established for all other City employees and elected officials.

City laws require that contributions to its three funded pension systems be based on actuarial valuations. City contributions to the old Unfunded Fire and Police Plan (for eligible employees hired prior to January 1, 1947, all of whom are now retired) are not actuarially determined and are equal to the benefits paid.

The City's contributions to its pension systems for fiscal year 1999, and the actuarial accrued liability (excess) at June 30, 1999 (expressed in thousands) are as follows:

	City Contributions FY 1999	Actuarial Accrued Liability (Excess) at June 30, 1999
Fire and Police Employees' Retirement System (F&P) .....	\$ 268	\$(55,183)
Employees' Retirement System (ERS) .....	19,710	(54,921)
Elected Officials' Retirement System (EOS) .....	217	(2,510)
Unfunded Fire and Police Plan .....	6,086	33,134
	<u>\$26,281</u>	

The funding periods of the actuarial accrued liabilities of the F&P, ERS and EOS are 20, 20 and 10 years, respectively. The Unfunded Fire and Police Plan is on a pay-as-you-go basis and since all of its members are retired, the City expects to continue to fund this plan in accordance with the present method.

### Debt Administration

The ratio of net general bonded debt to assessed valuation and the amount of net general bonded debt per capita are useful indicators of the City's debt position and are listed below:

	1999	1998
Ratio of net general bonded debt to assessed valuation .....	5.0%	4.8%
Net general bonded debt per capita .....	\$653	\$595

The following is a summary of general obligation debt activity (expressed in thousands) for fiscal year 1999:

Gross general bonded debt outstanding, July 1, 1998.....	\$387,563
Add:	
Bond sales, note sales, and accretion .....	41,114
Subtotal .....	428,677
Deduct:	
Bonds and notes redeemed in fiscal year 1999 .....	24,085
Gross general bonded debt outstanding, June 30, 1999 .....	404,592
Deduct:	
Self-supporting debt .....	37,950
Funds available in Debt Service Fund .....	25,369
Net general bonded debt, June 30, 1999 .....	<u>\$341,273</u>

The preceding totals do not include \$11,133,000 borrowed from the State of Maryland for capital construction purposes which are not general obligation debt of the City as defined in the Maryland Constitution and the City is not required to levy taxes to meet the debt service requirements. The debt service is withheld by the State Comptroller from payments due the City as its share of distributions primarily from income taxes and highway user revenues.

### Temporary Investment of Cash Balances

The City, through the Office of the Director of Finance, pursues an aggressive cash management and investment program to achieve maximum financial return on available funds. Depending on cash needs, excess funds are invested on a short, intermediate or long-term basis at best obtainable rates. Investments are limited generally to direct or indirect obligations of the U.S. government and fully collateralized repurchase agreements.

The City utilizes the practice of recording investment income in the period in which it is earned. Investment income for fiscal year 1999 totaled \$22,766,000, for an effective yield of 5.7%. Earnings on investments include those funds which participate in the City's consolidated cash account. Not included are the New Baltimore City Board of School Commissioners, Industrial Development Authority Fund, and Pension Trust Funds.

## **Risk Management**

The City is self-insured in the area of casualty and property losses, including the uninsured portion of losses to City buildings and contents, vehicles, watercraft, boilers, machinery, workers' compensation and employers' liability, employees' health insurance, third party general liability and automobile liability losses. The fund is administered by the Office of Risk Management.

Operating revenues in the Risk Management Fund totaled \$204.5 million in the fiscal year ended June 30, 1999. Operating expenses, including claims paid and incurred, totaled \$210.9 million for the year ended June 30, 1999. The Risk Management Fund's accumulated deficit at June 30, 1999 was \$25.2 million.

During fiscal year 1999, charges to City agencies increased by \$3.7 million, from \$200.8 million to \$204.5 million. This increase, along with certain cost containment efforts, was designed to reduce the prior deficit. The City's expectations for the Risk Management Fund were met or exceeded, except for the workers' compensation portion of the fund, which increased its deficit, by \$4.9 million.

The City plans to continue to charge City agencies premiums in excess of that needed to cover expected operating expenses, including claims paid and incurred, and thereby eliminating the accumulated Risk Management Fund deficit over the next nine years.

## **Independent Audit**

The City Charter established a Department of Audits under the general supervision of the City Comptroller. The Charter requires the City Auditor to "annually make a general comprehensive public report of the financial position of the City; in the discretion of the Comptroller, such report may be in the form of an opinion on the annual financial statements prepared by the Director of Finance." The Comptroller has elected to have the City Auditor render an opinion as to the fairness of the Director of Finance's presentation of the City's general purpose financial statements. Additionally, the Board of Estimates awarded a contract to the nationally recognized independent certified public accounting firm, KPMG LLP, to perform a joint audit with the City Auditor of the general purpose financial statements of the City for the year ended June 30, 1999. Their joint audit report is contained herein.

## **Future Operations**

The fiscal year 2000 General Fund Budget was adopted on June 10, 1999. The budget totals \$871.4 million, a decrease of \$3.3 million, or 0.4%, from the fiscal year 1999 budget of \$874.7 million. The major element of change reflects a decrease of \$26.5 million, from \$44.8 million to \$18.3 million, in pay-as-you-go capital appropriations. Fiscal year 1999 pay-as-you-go capital appropriations increased materially due to the availability of one-time funding sources and pension system contribution reductions requirements. Operating appropriations increased \$23.2 million for fiscal year 1999 from \$829.9 million to \$853.1 million.

## **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Baltimore, Maryland, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1998.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

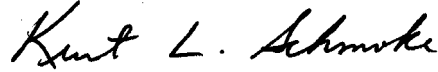
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgements

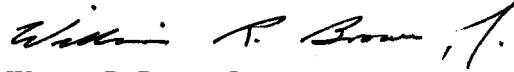
The preparation of this annual report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Bureau of Accounting and Payroll Services of the Department of Finance. We wish to express our appreciation to all members of the Bureau who assisted and contributed to its preparation.

We are also grateful to the City's independent auditors, KPMG LLP and the City Auditor for the professional assistance and advice they provided during the course of their audit. Finally, we would like to thank the members of the Board of Estimates and City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



KURT L. SCHMOKE  
*Mayor*

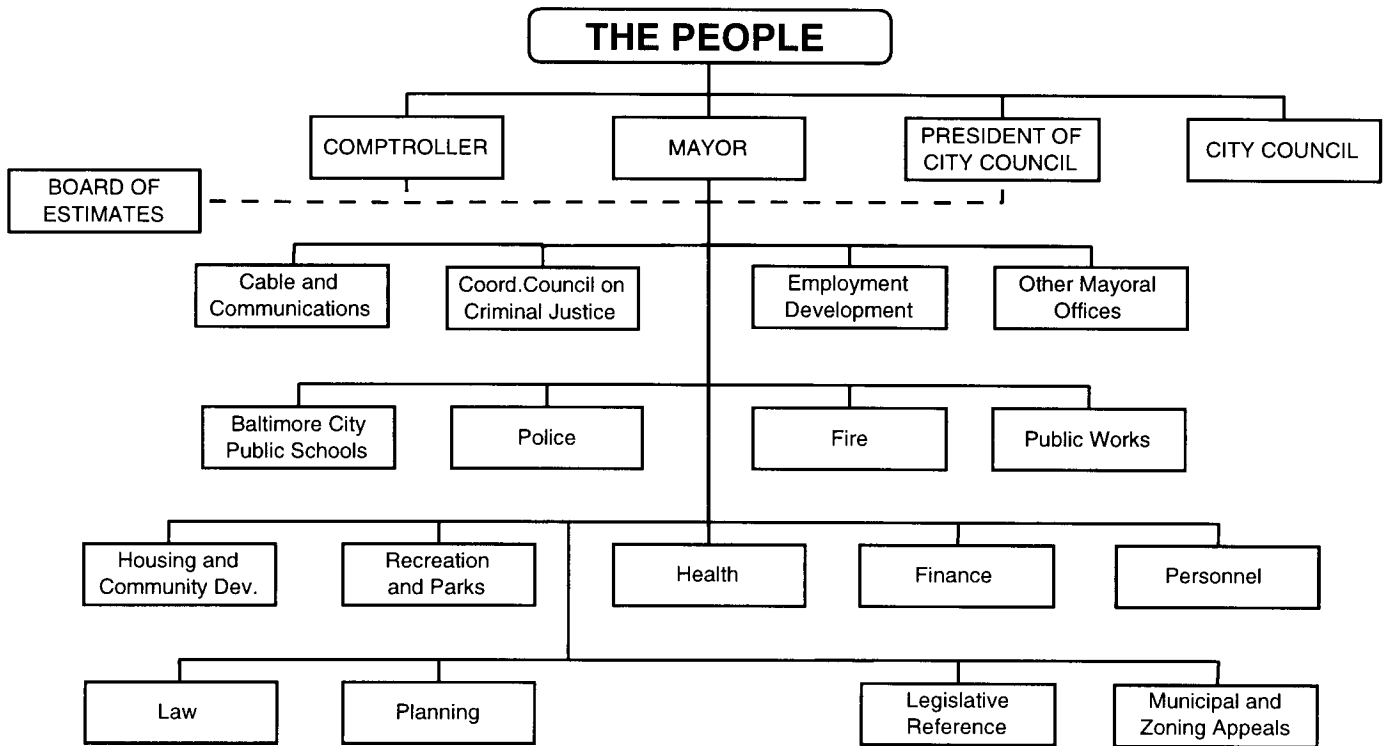


WILLIAM R. BROWN, JR.  
*Director of Finance*

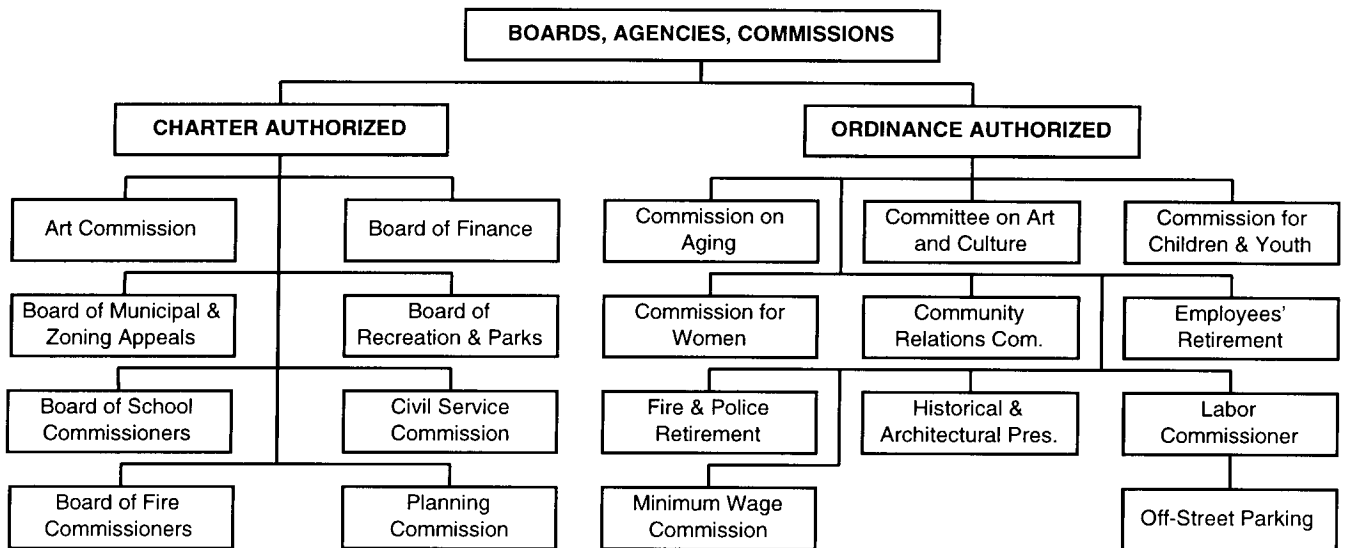


# MUNICIPAL ORGANIZATION CHART

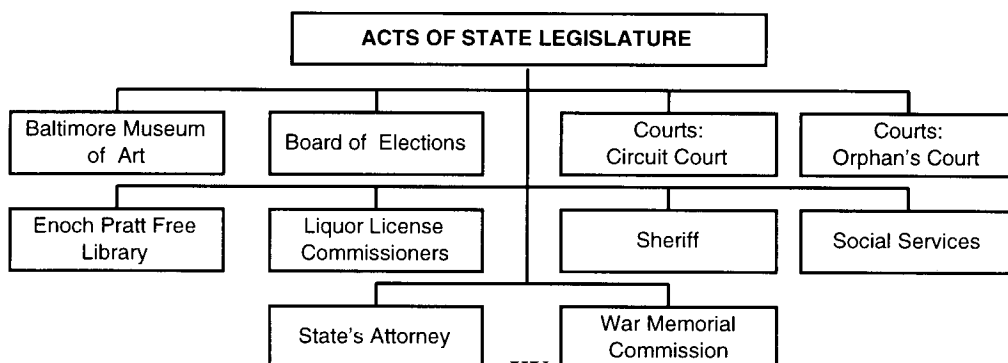
## THE PEOPLE



## BOARDS, AGENCIES, COMMISSIONS



## ACTS OF STATE LEGISLATURE



**CERTIFICATE (CAMERA READY)**

(THIS PAGE INTENTIONALLY LEFT BLANK)

# ***FINANCIAL SECTION***

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR END JUNE 30, 1999

(THIS PAGE INTENTIONALLY LEFT BLANK)



# CITY OF BALTIMORE

KURT L. SCHMOKE, Mayor

## DEPARTMENT OF AUDITS

Room 321, City Hall  
Baltimore, Maryland 21202

Logo To Come

### Independent Auditors' Report

December 6, 1999

The Mayor, City Council, Comptroller and  
Board of Estimates of the City of Baltimore, Maryland

We have audited the accompanying general purpose financial statements of the City of Baltimore, Maryland, as of and for the year ended June 30, 1999, as listed in the table of contents. The general purpose financial statements are the responsibility of the City of Baltimore, Maryland's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the New Baltimore City Board of School Commissioners component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that entity is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Baltimore, Maryland as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended, in conformity with generally accepted accounting principles.

The year 2000 supplementary information in Note 19 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the City is or will become year 2000 compliant, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City does business are or will become year 2000 compliant.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Baltimore, Maryland. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this comprehensive annual financial report have not been audited by us and, accordingly, we express no opinion on such data.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 6, 1999, on our consideration of the City of Baltimore, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Yovonda D. Brooks CPA  
City Auditor  
Department of Audits

KPMG LLP  
Independent Certified  
Public Accountants

**CITY OF BALTIMORE**  
**Combined Balance Sheet**  
**All Fund Types, Account Groups and Discretely Presented Component Unit**  
**June 30, 1999**

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	New Board of School Commissioners	Reporting Entity
<b>ASSETS AND OTHER DEBITS</b>												
Cash and cash equivalents .....	\$ 38,248	\$ 75	\$ 5,589	\$ 7,924	\$ 111,888	\$ 93,233	\$ 154,310			\$ 411,267	\$ 49,558	\$ 460,825
Investments .....	17,594		18,816	129,959	382	10,530	3,489,450			3,666,731	4,159	3,670,890
Property taxes receivable .....	15,695									15,695		15,695
Other accounts receivable, net .....	31,187	6,055	123	4,743	45,927	2,145				90,180	1,433	91,613
Due from other governments .....	13,255	119,021								132,276	42,798	175,074
Due from other funds .....	54,033	99	1,295	11,238						66,665	12,951	79,616
Due from component unit .....	12,306									12,306		12,306
Notes and mortgages receivable, net .....	14,501	3,696	8,574		52,901					79,672		79,672
Inventories, at cost .....	2,848	912			3,428	252				7,440	1,043	8,483
Other assets .....	5,417	122			10,355	235	41,939			58,068		58,068
Restricted assets:												
Cash and cash equivalents .....					48,864					48,864		48,864
Investments .....					23,834					23,834		23,834
Accounts receivable, net .....					10,837					10,837		10,837
Due from other funds .....					17,630					17,630		17,630
Property, plant and equipment, net .....					1,256,915	45,670		\$2,106,425		3,409,010	38,349	3,447,359
Amount available in debt service fund for retirement of general long-term debt .....									\$ 25,369	25,369		25,369
Resources to be provided in future years .....									793,228	793,228	63,193	856,421
Total assets and other debits .....	\$205,084	\$129,980	\$34,397	\$153,864	\$1,582,961	\$152,065	\$3,685,699	\$2,106,425	\$818,597	\$8,869,072	\$213,484	\$9,082,556

(Continued)



	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	New Board of School Commissioners	Reporting Entity
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>												
<b>Liabilities:</b>												
Accounts payable and accrued liabilities.....	\$ 46,775	\$ 24,650		\$ 11,194	\$ 18,807	\$ 4,330	\$ 94,839			\$ 200,595	\$ 40,999	\$ 241,594
Retainages payable.....				5,422						5,422		5,422
Property taxes payable — State.....	675									675		675
Due to other funds.....	1,295	50,935		99	28,878	3,088				84,295	12,951	97,246
Due to primary government.....											12,306	12,306
Due to other governments.....					1,250					1,250		1,250
Deposits subject to refund.....	6,651				9					6,660		6,660
Estimated liability for claims in progress.....						97,616				97,616		97,616
Other liabilities.....					12,926	4,150	21,318			38,394	17,988	56,382
Accounts payable from restricted assets.....					13,293					13,293		13,293
Deferred revenue.....	78,880	47,290	\$ 8,574		750					135,494	12,198	147,692
Vested compensated absences.....									\$ 60,859	60,859	58,331	119,190
Notes payable.....					273					273		273
Revenue bonds payable, net.....					467,375				58,515	525,890		525,890
Matured bonds — principal and interest payable.....			454							454		454
General long-term debt payable.....					6,051				515,332	521,383		521,383
Capital lease obligations.....									175,368	175,368	4,861	180,229
Landfill closure and postclosure liability.....									8,523	8,523		8,523
Total liabilities.....	134,276	122,875	9,028	16,715	549,612	109,184	116,157		818,597	1,876,444	159,634	2,036,078
<b>Equity and other credits:</b>												
Investment in general fixed assets.....								2,106,425		2,106,425	38,349	2,144,774
Contributed capital.....					899,738	57,836				957,574		957,574
<b>Retained earnings:</b>												
<b>Reserved for:</b>												
Revenue bond retirements.....					48,090					48,090		48,090
Unreserved (deficit).....					85,521	(14,955)				70,566		70,566
<b>Fund balances:</b>												
<b>Reserved for:</b>												
Budget stabilization.....	17,278									17,278		17,278
Landfill closure.....	782									782		782
Encumbrances.....	27,331	2,130		62,637						92,098	9,565	101,663
Inventories.....	2,848	912								3,760	390	4,150
Other assets.....	1,749	122								1,871		1,871
Pension benefits.....							3,558,376			3,558,376		3,558,376
Library services.....							1,866			1,866		1,866
Scholarships and memorials.....							9,300			9,300		9,300
<b>Unreserved:</b>												
<b>Designated for:</b>												
Debt service.....			25,369							25,369		25,369
Subsequent year's expenditures.....	16,900	2,417								19,317		19,317
Undesignated.....	3,920	1,524		74,512						79,956	5,546	85,502
Total equity and other credits.....	70,808	7,105	25,369	137,149	1,033,349	42,881	3,569,542	2,106,425		6,992,628	53,850	7,046,478
Total liabilities, equity and other credits.....	\$205,084	\$129,980	\$34,397	\$153,864	\$1,582,961	\$152,065	\$3,685,699	\$2,106,425	\$818,597	\$8,869,072	\$213,484	\$9,082,556

See notes to general purpose financial statements.

**CITY OF BALTIMORE**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types, Expendable Trust Fund and Discretely Presented Component Unit**  
**for the year ended June 30, 1999**

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government	New Board of School Commissioners	Reporting Entity
<b>Revenues:</b>								
Taxes — local .....	\$ 700,625					\$ 700,625		\$ 700,625
State shared revenue .....		\$158,123				158,123		158,123
Licenses and permits .....	17,954	233				18,187		18,187
Fines and forfeitures .....	2,679	457				3,136		3,136
Interest, rentals and other investment income .....	34,912	3,353	\$ 1,112	\$ 17,368	\$ 155	56,900		56,900
Federal grants .....	37	201,920		12,173		214,130	\$ 79,828	293,958
State grants .....	70,374	49,457				119,831	544,467	664,298
Other grants .....	161	11,596				11,757	29,271	41,028
Charges for current services .....	32,863	2,752				35,615	5,290	40,905
Miscellaneous .....	2,900	131	1,665	23,544	3,091	31,331	2,709	34,040
Total revenues .....	862,505	428,022	2,777	53,085	3,246	1,349,635	661,565	2,011,200
<b>Expenditures:</b>								
Current:								
General government .....	177,895	61,494				239,389		239,389
Public safety and regulation .....	300,313	46,445				346,758		346,758
Conservation of health .....	22,364	121,118				143,482		143,482
Social services .....	1,008	17,729				18,737		18,737
Education .....	776				350	1,126	844,860	845,986
Public library .....	20,134	4,039				24,173		24,173
Recreation and culture .....	22,627	4,640				27,267		27,267
Highways and streets .....	4,378	79,983				84,361		84,361
Sanitation and waste removal .....	31,040					31,040		31,040
Public service .....	9,798					9,798		9,798
Economic development .....	18,386	37,278		36,560		92,224		92,224
Capital outlay .....				162,408		162,408	34,323	196,731
Debt Service:								
Principal retirements:								
City bonds .....			19,701			19,701		19,701
Bond anticipation notes .....			3,290			3,290		3,290
State construction loans .....			2,703			2,703		2,703
Federal loans .....			1,240			1,240		1,240
Other loans .....			1,243			1,243		1,243
Interest payments:								
City bonds .....			24,529			24,529		24,529
Bond anticipation notes .....			527			527		527
State construction loans .....			806			806		806
Federal loans .....			829			829		829
Other loans .....			186			186		186
Revenue bonds .....			2,429			2,429		2,429
Fiscal charges .....			453			453		453
Total expenditures .....	608,719	372,726	57,936	198,968	350	1,238,699	879,183	2,117,882
Excess (deficiency) of revenues over expenditures .....	253,786	55,296	(55,159)	(145,883)	2,896	110,936	(217,618)	(106,682)
<b>Other financing sources (uses):</b>								
Proceeds from capital leases .....				23,253		23,253	12,645	35,898
Proceeds from federal loans .....				18,155		18,155		18,155
Proceeds from general obligation bonds .....				39,725		39,725		39,725
Proceeds from private loans .....				4,003		4,003		4,003
Operating transfers in .....	26,708		50,149	101,834		178,691		178,691
Operating transfers from primary government .....							215,488	215,488
Operating transfers out .....	(89,998)	(59,841)		(2,144)		(151,983)		(151,983)
Operating transfers to component unit .....	(197,548)	(3,654)		(14,286)		(215,488)		(215,488)
Total other financing sources (uses) .....	(260,838)	(63,495)	50,149	170,540		(103,644)	228,133	124,489
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	(7,052)	(8,199)	(5,010)	24,657	2,896	7,292	10,515	17,807
Fund balances, July 1, 1998 .....	77,860	15,304	30,379	112,492	2,808	238,843	4,986	243,829
Fund balances, June 30, 1999 .....	\$ 70,808	\$ 7,105	\$ 25,369	\$ 137,149	\$ 5,704	\$ 246,135	\$ 15,501	\$ 261,636

See notes to general purpose financial statements.

**CITY OF BALTIMORE**

**Combined Statement of Revenues, Expenditures and Encumbrances and  
Changes in Fund Balance Budget and Actual — Budgetary Basis — General and Budgeted Special Revenue Funds  
for the year ended June 30, 1999**

(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes — local .....	\$ 689,484	\$ 700,625	\$11,141			
State shared revenue .....				\$157,145	\$158,123	\$ 978
Licenses and permits .....	18,685	17,954	(731)	275	233	(42)
Fines and forfeitures .....	2,481	2,679	198		457	457
Interest, rentals and other investment income .....	32,462	34,912	2,450	3,136	3,353	217
Federal grants .....	75	37	(38)			
State grants .....	68,914	69,035	121			
Other grants .....	161	161				
Charges for current services .....	34,314	32,863	(1,451)	2,250	2,752	502
Miscellaneous .....	4,795	2,900	(1,895)	8	131	123
Total revenues .....	851,371	861,166	9,795	162,814	165,049	2,235
Expenditures and encumbrances:						
General government .....	177,505	175,379	2,126	9,518	9,495	23
Public safety and regulation .....	306,265	301,680	4,585	30,365	30,360	5
Conservation of health .....	23,349	23,210	139			
Social services .....	1,019	991	28			
Education .....	921	921				
Public library .....	18,467	18,087	380			
Recreation and culture .....	23,817	23,809	8	16	21	(5)
Highways and streets .....	4,570	4,570		80,176	80,171	5
Sanitation and waste removal .....	32,368	32,368				
Public service .....	10,752	10,752				
Economic development .....	18,372	18,323	49	68	68	
Total expenditures and encumbrances .....	617,405	610,090	7,315	120,143	120,115	28
Excess of revenues over expenditures and encumbrances .....	233,966	251,076	17,110	42,671	44,934	2,263
Other financing sources (uses):						
Operating transfers in .....	25,673	26,708	1,035			
Operating transfers out .....	(90,774)	(89,998)	776	(49,337)	(49,337)	
Operating transfers to component unit .....	(197,548)	(197,548)		(3,654)	(3,654)	
Total other financing sources (uses) .....	(262,649)	(260,838)	1,811	(52,991)	(52,991)	
Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances and other financing uses .....	(28,683)	(9,762)	18,921	(10,320)	(8,057)	2,263
Fund balances, July 1, 1998 (budgetary basis) .....	55,727	55,727		13,379	13,379	
Fund balances, June 30, 1999 (budgetary basis) .....	<u>\$ 27,044</u>	45,965	<u>\$18,921</u>	<u>\$ 3,059</u>	5,322	<u>\$2,263</u>
Adjustments required to reconcile to generally accepted accounting principles:						
Addition of encumbrances outstanding .....		27,331			2,132	
Less accounts payable not recorded for budgetary purposes .....		(2,488)			(349)	
Fund balances, June 30, 1999 (GAAP basis) .....		\$ 70,808			\$ 7,105	

See notes to general purpose financial statements.

**CITY OF BALTIMORE**  
**Combined Statement of Revenues, Expenses and Changes in Equity**  
**All Proprietary Fund Types and Nonexpendable Trust Funds**  
**for the year ended June 30, 1999**

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Operating revenues:				
Charges for services, net .....	\$ 222,174	\$269,262		\$ 491,436
Interest and other investment income .....	3,625		\$ 346	3,971
Total operating revenues .....	225,799	269,262	346	495,407
Operating expenses:				
Salaries and wages .....	55,529	20,769		76,298
Other personnel costs .....	16,301	5,866		22,167
Contractual services .....	61,477	22,866		84,343
Materials and supplies .....	11,814	8,924		20,738
Minor equipment .....	1,891	319		2,210
Claims paid and incurred .....		203,055		203,055
Postage and delivery service .....		562		562
General government overhead .....	8,696			8,696
Bad debts .....	1,247			1,247
Depreciation .....	20,227	8,642		28,869
Benefits paid .....			260	260
Program expenses .....	3,472			3,472
Amortization of bond issuance costs .....	428			428
Interest .....	3,285			3,285
Total operating expenses .....	184,367	271,003	260	455,630
Operating income (loss) .....	41,432	(1,741)	86	39,777
Non-operating revenues (expenses):				
Investment income .....		2,028		2,028
Interest expense .....	(6,437)			(6,437)
Loss on sale of property .....		(661)		(661)
Loss on sale of investments .....	(41)			(41)
Net non-operating revenues (expenses) .....	(6,478)	1,367		(5,111)
Income (loss) before operating transfers .....	34,954	(374)	86	34,666
Operating transfers out .....	(26,708)			(26,708)
Net income (loss) .....	8,246	(374)	86	7,958
Add depreciation on fixed assets acquired by contributed capital .....	7,689			7,689
Increase (decrease) in retained earnings .....	15,935	(374)	86	15,647
Retained earnings (deficit)/fund balance — July 1, 1998 .....	117,676	(14,581)	5,376	108,471
Retained earnings (deficit)/fund balance — June 30, 1999 .....	133,611	(14,955)	5,462	124,118
Contributed capital — July 1, 1998 .....	881,637	55,847		937,484
Additions, net .....	25,790	1,989		27,779
Less depreciation on fixed assets acquired by contributed capital .....	(7,689)			(7,689)
Contributed capital — June 30, 1999 .....	899,738	57,836		957,574
Total equity — June 30, 1999 .....	\$1,033,349	\$ 42,881	\$5,462	\$1,081,692

See notes to general purpose financial statements.

**CITY OF BALTIMORE**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types and Nonexpendable Trust Funds**  
**for the year ended June 30, 1999**

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Operating income (loss) .....	\$ 41,432	\$(1,741)	\$ 86	\$ 39,777
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation .....	20,227	8,642		28,869
Interest and other investment income .....			(346)	(346)
Amortization of bond issuance costs .....	428			428
Mortgage receivable principal repayments .....	1,266			1,266
Decrease in notes receivable .....	8,095			8,095
Decrease in accounts receivable .....	2,225	708		2,933
(Increase) in due from other governments .....	(597)			(597)
Decrease in inventories .....		61		61
Decrease (increase) in other assets .....	114	31	(1)	144
Increase in accounts payable and accrued liabilities .....	262	785		1,047
Increase in estimated liability for claims in progress .....		7,381		7,381
Increase (decrease) in other liabilities .....	(5,375)	420		(4,955)
(Decrease) in deferred revenue .....	(73)			(73)
Increase in accrued interest payable .....	940			940
(Decrease) in notes payable .....	(41)			(41)
Increase (decrease) in due to other funds .....	(1,920)	1,491		(429)
(Decrease) in due to other governments .....	(451)			(451)
Net cash provided (used) by operating activities .....	66,532	17,778	(261)	84,049
Cash flows from non-capital financing activities –				
Operating transfers out .....	(26,708)			(26,708)
Cash flows from capital and related financing activities:				
Proceeds from sale of bonds, net .....	21,025			21,025
Acquisition and construction of capital assets .....	(98,723)	(7,899)		(106,622)
Change in restricted assets .....	17,319			17,319
Change in restricted accounts payable .....	1,898			1,898
Loss on disposition of equipment .....		(661)		(661)
Principal paid on revenue bonds .....	(23,707)			(23,707)
Principal paid on bonds .....	(1,133)			(1,133)
Interest paid .....	(9,471)			(9,471)
Capital contributions — increases .....	30,022	1,989		32,011
Capital contributions — decreases .....	(4,232)			(4,232)
Net cash used by capital and related financing activities .....	(67,002)	(6,571)		(73,573)
Cash flows from investing activities:				
Proceeds (loss) from sale and maturities of mortgages and investment securities .....	970	3,678	(262)	4,386
Purchase of investments .....	(29)	(16)		(45)
Interest and other investment income .....	3,864	2,895	346	7,105
Net cash provided by investing activities .....	4,805	6,557	84	11,446
Net increase (decrease) in cash and cash equivalents .....	(22,373)	17,764	(177)	(4,786)
Cash and cash equivalents, July 1, 1998 .....	183,125	75,469	1,381	259,975
Cash and cash equivalents, June 30, 1999 .....	160,752	93,233	1,204	255,189
Cash and cash equivalents (Expendable Trust Fund) .....			5,412	5,412
Cash and cash equivalents (Agency Funds) .....			154,310	154,310
Cash and cash equivalents (Pension Trust Funds) .....			146,318	146,318
Cash and cash equivalents, June 30, 1999 .....	\$160,752	\$93,233	\$307,244	\$ 561,229

See notes to general purpose financial statements.

**CITY OF BALTIMORE**  
**Combined Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

---

Additions:	
Contributions:	
Employer .....	\$ 20,195
Employee .....	8,775
Investment income:	
Net appreciation in fair market value of investments .....	104,816
Interest and dividend income, net .....	194,877
Total additions .....	<u>328,663</u>
Deductions:	
Retirement allowances .....	196,212
Death benefits .....	1,666
Administrative expense .....	2,704
Other .....	1,273
Total deductions .....	<u>201,855</u>
Net increase .....	126,808
Net assets held in trust for pension benefits:	
July 1, 1998 .....	<u>3,431,568</u>
June 30, 1999 .....	<u>\$3,558,376</u>

---

See notes to general purpose financial statements.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**

**1. The Reporting Entity and Description of Funds and Account Groups:**

**A. THE REPORTING ENTITY:**

The City of Baltimore was incorporated under the laws of the State of Maryland in 1797 and operates under an elected Mayor-Council form of government. As required by generally accepted accounting principles (GAAP), the financial statements of the reporting entity include those of the City of Baltimore (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity either as a blended component unit or as a discretely presented component unit.

*Blended component unit.* The Baltimore Industrial Development Authority (IDA), an entity legally separate from the City, is governed by a Board appointed by the Mayor and is financially accountable to the City government. The IDA was established to finance capital construction projects such as water/waste water facilities and office buildings which solely benefit the City. The IDA does not provide financing to other governments, private business or individuals. The financial statements of this component unit are, for reporting purposes, blended with that of the primary government.

*Discretely presented component unit.* Legislation enacted by the 1997 Maryland General Assembly established a new, legally separate, nine member New Baltimore City Board of School Commissioners (Board) which is jointly appointed by the Mayor and Governor. The Board has the authority and responsibility for all system functions including the adoption of rules and regulations, and prescribing policies and procedures for management, maintenance, operation and control of the school system. Prior to this legislation, the City's Department of Education operated the school system and was not legally separate from the City. The Board remains financially accountable to the City. Effective July 1, 1997, for financial statement purposes, the Board is now reported as a component unit in a separate column to emphasize that it is legally separate from the City.

Complete financial information regarding the discretely presented component unit, including financial statements, can be obtained directly from the Chief Financial Officer, New Baltimore City Board of School Commissioners, 200 East North Avenue, Baltimore, Maryland 21202.

*Related Organizations.* The City is responsible for appointing the board members of several entities, but the City's accountability for these organizations does not extend beyond making certain appointments. These boards include:

Baltimore City Foundation  
Lexington Market  
Baltimore Area Convention and Visitors Association  
City of Baltimore Development Corporation  
Baltimore Community Development Finance Corporation  
Empower Baltimore Management Corporation  
Special Benefits Taxing Districts

During fiscal year 1999, the City determined that the Baltimore Community Development Finance Corporation (CDFC) no longer meets the criteria established by GAAP for inclusion in the financial statements. The CDFC is legally separate from the City. The City no longer appoints the majority of its board, and no longer provides a material portion of its operating budget. The City no longer has the ability to impose its will on the CDFC and it is not financially dependent on the City. Therefore, the CDFC is not included in the City's reporting entity.

In addition, the Housing Authority of Baltimore City (HABC) is considered a related organization. HABC is a separate legal entity and is governed by a Commission of five citizens appointed to staggered terms by the Mayor. The Commission establishes the operating policies of the HABC, which are implemented under the direction of an Executive Director appointed by the Commission. The HABC develops, maintains and manages low-rent housing and administers housing assistance payment programs primarily for the citizenry's benefit and not that of the primary government. These activities are subsidized by the U.S. Department of Housing and Urban Development and other grantors. Consequently, the primary government is not able to exert influence over nor impose a burden relationship upon the HABC. This organization is not financially accountable to the City and maintains its own separate accounting systems.



**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

**B. DESCRIPTION OF FUNDS AND ACCOUNT GROUPS:**

The City's accounting system is organized and operated on a fund and account group basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with related liabilities and residual equities or fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. The various funds are grouped by type in the financial statements. The types of funds and account groups maintained by the City are as follows:

*Governmental Fund Types:*

**General Fund** — The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds.

**Special Revenue Funds** — These funds account for revenues derived from certain State shared taxes, governmental grants and other revenue sources that are restricted by law or administrative action to expenditures for specific purposes. Special Revenue Funds include the Grants Revenue Fund, Motor Vehicle Fund, Community Development Block Grant Fund and Special Racetrack Fund.

**Debt Service Fund** — This fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by the Enterprise Funds.

**Capital Projects Fund** — The proceeds of general obligation bond issues, State construction loans, governmental and other grants, and revenues from other sources appropriated for capital improvements, acquisitions and related programs are accounted for in this fund, except for those accounted for in the proprietary fund types.

*Proprietary Fund Types:*

**Enterprise Funds** — These funds account for operations of governmental facilities operated in a manner similar to commercial enterprises where the intent is to recover, in whole or in part, through user charges, the costs or expenses (including depreciation) of providing goods or services to the general public on a continuing basis, except for the Industrial Development Authority, which provides revolving loan services to City agencies. These funds include:

- **Water Utility Fund** — Accounts for the operations of the City's water supply system.
- **Waste Water Utility Fund** — Accounts for the operations of the City's sewerage system.
- **Parking Facilities Fund** — Accounts for the operations of the City-owned off-street parking facilities.
- **Loan and Guarantee Program Fund** — Accounts for the City's economic development financing activities.
- **Industrial Development Authority** — Accounts for the activities of the City's Industrial Development Authority.

**Internal Service Funds** — These funds account for the financing of goods or services provided by certain City agencies to various other agencies and programs of the City on a cost reimbursement basis. The following funds are included in this category:

- **Mobile Equipment Fund** — Accounts for the service, repair, operation and replacement of the City's equipment fleet.
- **Reproduction and Printing Fund** — Accounts for the operations of the City's printing shop.
- **Municipal Post Office Fund** — Accounts for the operations of the City's internal post office facility offering complete mail services, including interdepartmental pick-up and delivery services, for various City departments and agencies.
- **Municipal Telephone Exchange Fund** — Accounts for the administration and operations of the City's telephone exchange.
- **Electronic Equipment Maintenance Fund** — Accounts for the administration and operations of the City's telecommunications system.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

- Construction Management and Inspection Fund — Accounts for the operation of in-house construction management and inspection services on City buildings, highways, bridges and utility construction projects. Reimbursement of costs is funded through charges to appropriate capital projects under construction.
- Risk Management Fund — Accounts for the administration and payment of claims resulting from the City's self-insurance programs, including the New Baltimore City Board of School Commissioners for general claims, workers' compensation claims, real property liability, motor vehicle liability, fleet driver liability and property damage claims, as well as medical and unemployment insurance for City employees.

*Fiduciary Fund Types:*

Transactions related to assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governments are accounted for in fiduciary fund types. Fiduciary fund types are comprised of:

- An Expendable Trust Fund which accounts for assets received and expended by the City as trustee for the Scholarship Fund.
- Nonexpendable Trust Funds which reflect the transactions related to endowments provided to the City by private donors for the Enoch Pratt Free Library and Memorials.
- Pension Trust Funds which account for the receipt, investment and distribution of retirement contributions made for the benefit of policemen, firemen, elected officials and other City employees.
- Agency Funds which account for assets held by the City as a custodial trustee.

*Account Groups:*

- General Fixed Assets Account Group — This account group is used to account for the fixed assets of the City, other than those fixed assets reported in the Enterprise and Internal Service Funds. These assets are stated at their original cost and are not depreciated. Capital expenditures are carried in this account group as construction in progress until the projects are completed and are then capitalized by function and classification. Infrastructures, such as streets, highways, bridges, sidewalks, street lighting, traffic poles and signals, and storm sewers, are not reported in the General Fixed Assets Account Group. Such assets are immovable and of value only to the City.
- General Long-Term Obligations Account Group — This account group is used to account for the general obligation bonded debt of the City, capital lease obligations, vested compensated absences of governmental funds and long-term financing agreements other than debt related to the Enterprise and Internal Service Funds.

## **2. Summary of Significant Accounting Policies:**

The accounting and financial reporting policies of the City included in this report conform to GAAP and reporting standards as promulgated by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants and other appropriate sources.

The following is a summary of the more significant policies:

*Basis of Accounting:*

The accounting and financial reporting applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, agency funds and the New Baltimore City Board of School Commissioners. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the related fund liabilities are incurred

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

except for debt service which is considered an expenditure when due, and accumulated employee leave which is considered an expenditure when paid.

Revenues which have been treated as susceptible to accrual include property taxes collected within 60 days after year end; locally imposed State-collected taxes on income; State-shared taxes; Federal, State and other grant and entitlement revenues, and interest. All other revenues are recorded when received.

All proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components and operating statements present increases (i.e., revenues/additions) and decreases (i.e., expenses/deductions) in net total assets.

GAAP allows governments to choose either not to implement, in proprietary fund types, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, unless those pronouncements are specifically adopted by GASB (provided that this is applied on a consistent basis) or to continue to follow FASB standards for these fund types. The City has elected not to implement FASB pronouncements issued after that date for its proprietary fund types.

The accrual basis of accounting is utilized by proprietary funds, nonexpendable trust funds and pension trust funds. Under this method, revenues/additions are recorded when earned and expenses/deductions are recorded at the time liabilities are incurred.

*Cash and Cash Equivalents:*

Cash and cash equivalents include demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the City.

*Inventories:*

Inventories are stated at cost, using primarily the moving average method. Inventories of governmental fund types are accounted for on the consumption method.

*Unbilled Water and Waste Water Utility User Charges:*

Unbilled water and waste water user charges are estimated and accrued at year end.

*Property, Plant and Equipment — Proprietary Fund Types:*

Property, plant and equipment of the proprietary fund types are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives, as follows:

Buildings	50 years
Improvements	20 – 50 years
Equipment	2 – 25 years

Depreciation on assets acquired or constructed with contributed capital is recognized in the operating statement and then transferred to the appropriate contributed capital account.

*Long-Term Debt:*

General obligation debt expected to be financed from governmental fund types is accounted for in the General Long-Term Obligations Account Group. The general obligation debt recorded in the Enterprise Funds is intended to be financed from these funds. All general obligation debt is secured by the full faith and credit of the City. The principal and interest of the revenue bonds recorded in the Water Utility, Waste Water Utility, Industrial Development Authority and Parking Facilities Funds are payable exclusively from the earnings of the respective funds, where applicable.

*Gains and Losses on Early Extinguishment of Debt from Refundings:*

Gains and losses on the early extinguishment of debt from refundings are amortized over the shorter of the life of the new or old debt.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

*Bond Anticipation Notes:*

All Bond Anticipation Notes (BANS) were initially sold as long-term debt with stated maturities greater than one year and cannot be accelerated by the note holders. The BANS are recorded in the General Long-Term Obligations Account Group because the stated maturities are long-term. Although the City has the authority to and may refinance these notes, it is not required to do so.

*Encumbrances:*

Encumbrance accounting, under which purchase orders, contracts, approved requisitions and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General, Special Revenue, and Capital Projects Funds. Encumbrances are treated as reservations of fund balance in these funds because they do not constitute expenditures or liabilities. Encumbrances are reported with expenditures in all budgetary basis statements.

*Total Memorandum Only:*

The "Total Memorandum Only" columns are for overview informational purposes only. They do not fairly present financial position, results of operations or cash flows in conformity with GAAP and do not represent consolidated financial information.

*Sick, Vacation and Personal Leave:*

Employees earn one day of sick leave for each completed month of service; there is no limitation on the number of sick leave days that may be accumulated. At June 30, 1999, the estimated accumulated sick leave for the City was \$59,611,000. Sick leave benefit expenditures are not recorded until paid. A portion of unused sick leave earned annually during each twelve-month base period may be converted to cash for a maximum of three days, computed on an attendance formula. Upon retirement with pension benefits, or termination of employment after completion of twenty or more years of service without pension benefits, employees receive one day's pay for every four sick leave days accumulated and unused as of the date of separation; under any other conditions of separation, unused sick leave is forfeited. Vested unused sick leave for employees with service of 20 or more years, whose activities are accounted for in governmental fund types and similar trust funds, are recorded in the General Long-Term Obligations Account Group. The liability is not expected to be paid from current expendable available financial resources. Vested unused sick leave for employees with 20 or more years of service, whose activities are accounted for in proprietary fund types, are recorded when leave is earned.

Employees can accumulate a maximum of 224 vacation and personal leave days depending upon length of service which either may be taken through time off or carried until paid upon termination or retirement. Accumulated vacation and personal leave for employees whose activities are accounted for in governmental fund types and similar trust funds are recorded in the General Long-Term Obligations Account Group. The liability is not expected to be reduced from current expendable available financial resources. Accumulated vacation and personal leave for employees whose activities are accounted for in proprietary fund types are recorded when leave is earned.

New Baltimore City Board of School Commissioners' employees are granted vacation, personal leave and sick leave in varying amounts based on length of service and bargaining unit. A limited number of vacation, personal leave and sick leave days may be carried forward from year to year and upon retirement with pension benefits or separation of employment with 20 years of service, employees are paid accumulated vacation and sick leave days at the appropriate formula and rates. The unpaid vested vacation, personal leave and sick leave have been reported as vested compensated absences. At June 30, 1999, the estimated value of non-vested accumulated sick leave for the New Baltimore City Board of School Commissioners was \$134,876,000, which has not been included in the accompanying financial statements.

*Budgetary Data:*

The Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual — General and Budgeted Special Revenue Funds, reflects the budgeted and actual amounts for the General Fund, and only the budgeted Special Revenue Funds (Motor Vehicle and Special Racetrack Funds). Other Special Revenue Funds (Grants Revenue and Community Development Block Grant Funds) do not have annual budgets, since grant awards recorded in these funds span more than a single fiscal year.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

*Donated Fixed Assets:*

Donated fixed assets are recorded at their estimated fair value at the date of receipt.

*Estimated Liability for Claims in Progress:*

The liability for claims in progress represents estimates for all personal injury, workers' compensation, unemployment, property damage, and medical claims at June 30, 1999. This liability, which includes estimates for known and incurred but not reported claims, is based upon an actuarial valuation of the City's claim payment history discounted at a rate of 5.5%, for all claims except medical, for which claims are not discounted.

*Grant Revenues:*

Revenues from Federal, State and other grants, the purpose of which is to fund specific City expenditures, are recognized at the time of the specific expenditures.

*Property Tax:*

The City levies an annual tax for the fiscal year beginning July 1 and ending June 30, on real and personal property located in the City, due and payable each July 1 (lien date), based on assessed values as of the previous January 1. These assessed values are established by the State of Maryland Department of Assessments and Taxation at various rates of estimated market value. A discount of 1% and ½% is allowed for payments made in July and August, respectively. Unpaid property taxes are considered in arrears on October 1, and penalty and interest of 2% is assessed each month after the date that the taxes remain unpaid. Tax liens on real property are sold at public auction in May in instances where the taxes have remained delinquent since the preceding October 1.

State law requires that all real property be reassessed every three years, and further provides that the amount of any increase over previous established market values be phased in over a three-year period. To accomplish the triennial assessment requirement, approximately one-third of all real property is reviewed annually. The City Council, effective with the fiscal year beginning July 1, 1991, enacted a 104% homestead tax credit program which will protect home owners from increases in assessments that are greater than 4% in any one year. The assessed value of real property in Baltimore City for fiscal year 1999 was \$6,828,724,000, which was approximately 41.1% of the estimated market value.

The tax rate in Baltimore City for real and personal property for fiscal year 1999 was \$5.82 per \$100 of assessed value. Current collections were 96.8% of the total tax levy.

At June 30, 1999, the City had property taxes receivable of \$15,695,000, net of an allowance for uncollectible accounts of \$55,240,000.

*Restricted Assets:*

The proceeds of the Water Utility Fund, Waste Water Utility Fund, Parking Facilities Fund, revenue bonds and Federal and State grants are restricted for the purpose of construction of water, sewer, and parking facilities.

*Budget Stabilization Reserve:*

State law authorizes its political subdivisions to establish reserve accounts for the purpose of maintaining fiscal stability in the event of economic downturns affecting local revenues. As of June 30, 1999, the City had reserved \$17,278,000 of its General Fund fund balance for that purpose. The reserve can be used in case of emergency at the discretion of the Board of Estimates.

**3. Budgeting and Budgetary Control:**

Annual budgets are adopted for the General Fund and all Special Revenue Funds, except the Grants Revenue and Community Development Block Grant Funds, on a basis consistent with GAAP, except for certain miscellaneous general expenses which are not budgeted and encumbrances which are not recognized as expenditures under GAAP. The Board of Estimates must submit the proposed budget for the next fiscal year to the City Council at least 45 days before the beginning of said fiscal year. The City Council shall adopt the budget at least 5 days before the beginning of the fiscal year.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

Appropriations for a particular program, purpose, activity, or project may, upon the recommendation of the head of the municipal agency concerned and the Director of Finance and with the approval of the Board of Estimates, be carried over to the subsequent fiscal year to carry out the initial appropriation objectives. All appropriations not carried over lapse at the end of the fiscal year in which they were made. In addition, funds encumbered for contracts, purchase orders, approved requisitions or other actual commitments, as well as funds dedicated to grant programs and capital improvements are carried over to the ensuing fiscal year until utilized or cancelled.

The adopted budgets are prepared and appropriated on an agency, program, activity and object of expenditure basis by fund. Purchase orders which result in an overrun of either operating or capital balances are not released until additional appropriations are made available. Expenditures for each adopted annual operating budget may not legally exceed appropriations at the agency level. Administratively, the Department of Finance has the authority to move appropriations between activities of the same program within the same agency. The Board of Estimates has the authority to transfer appropriations between programs within the same agency. Only the City Council can transfer appropriations between agencies.

The City Charter permits further appropriations for programs included in the original ordinance of estimates made necessary by material changes in circumstances and additional appropriations for new programs or grant awards which could not reasonably be anticipated when formulating the original ordinance of estimates. These changes require supplemental appropriation ordinances. During fiscal year 1999, supplemental appropriation ordinances were required for the General Fund in the amount of \$13,465,000.

Summarizations of the budgets adopted by the City Council for the General Fund and the Special Revenue Funds are presented in the Combined Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balance — Budget and Actual — General and Budgeted Special Revenue Funds. The City's records are maintained on a budgetary basis and reported on a GAAP basis. The reconciliation of budget to GAAP follows:

Reconciliation: Budgetary to GAAP (Expressed in Thousands)	General Fund	Special Revenue Funds
Deficiency of revenues and other financing sources over expenditures and encumbrances and other financing uses — budgetary basis — fiscal year 1999 .....	\$(9,762)	\$(8,057)
Change in encumbrances — fiscal year 1999 over 1998 .....	1,682	(81)
Change in expenditures not recorded for budgetary purposes — fiscal year 1999 over 1998 .....	1,028	(61)
Deficiency of revenues and other financing sources over expenditures and other financing sources (uses) — GAAP basis — fiscal year 1999 .....	\$(7,052)	\$(8,199)

During the fiscal year ended June 30, 1999, the Special Racetrack Fund had an over-expenditure of \$5,000 in the Department of Recreation and Parks. This over-expenditure was covered by available fund balance. The City makes every effort to cover such over-expenditures with supplemental appropriations, however over-expenditures are not expressly prohibited by the City Charter.

#### **4. Cash Deposits:**

The carrying amounts of the City's deposits with financial institutions, including non-negotiable certificates of deposits, as of June 30, 1999, was a net overdraft of \$41,499,000 resulting from the City's policy of investing the "bank float" (payments in transit) in order to maximize the amount of interest earnings. The bank balances as of June 30, 1999 were \$3,287,000. All of the City's cash deposits are either covered by Federal Deposit Insurance or collateralized by securities held in the name of the City, by the City's agent.

The New Baltimore City Board of School Commissioners (Board) participates in the City's pooled cash account.

The Board has cash demand deposits with carrying values of \$22,998,000. The cash demand deposits consist of \$20,637,000 held by the Harbor Bank of Maryland and fully collateralized by agency securities held in the name of the New Baltimore City Board of School Commissioners and held in trust by the Federal Reserve Bank of Richmond; petty cash of \$275,000 carried with the Bank of America and insured to the maximum \$100,000 through the Federal Deposit Insurance Corporation (FDIC); and \$2,086,000 of agency funds in over 150 separate commercial banks insured by various government depository insurance companies.



**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

**5. Notes and Mortgages Receivable:**

Notes and mortgages receivable as of June 30, 1999, consist of the following:

- The General and Special Revenue Funds have mortgages receivable of \$14,501,000, net of a \$1,000,000 allowance for losses, and \$3,696,000, respectively, collateralized by real property. These mortgages bear interest at rates ranging from 1% to 12% and mature over 30 years.
- The Debt Service Fund has mortgages receivable of \$8,574,000 collateralized by real property. These mortgages bear interest at rates ranging from 5.46% to 11.16% and mature over 30 years.
- The Loan and Guarantee Program Fund has notes receivable of \$5,616,000, net of an allowance for losses of \$46,220,000, collateralized by mortgages and deeds of trust. Interest bearing notes have rates ranging from 1% to prime plus 6% and mature over 40 years. At June 30, 1999, the prime rate was 7.75%. The allowance for these loans is estimated by management to be a reasonable provision for losses on these loans which were funded from the proceeds of general obligation bonds and Federal grants.
- The Parking Facilities Fund has notes receivable of \$47,285,000 collateralized by real property. These notes bear interest at rates ranging from 6.1% to 6.9% and mature over 30 years.

**6. Investments:**

The City, except for pension funds, is authorized by State law to invest in direct or indirect obligations of the U.S. government, certificates of deposit, repurchase agreements and related mutual funds. City policy requires that securities underlying repurchase agreements must have a market value of at least 100% of the cost of the repurchase agreement and the City takes possession of the securities when the repurchase agreement's maturity is over five days. The City has complied with this policy throughout the year.

The pension funds are authorized by City law to invest in obligations of the U.S. government and Canada, deposits in savings accounts, corporate bonds, publicly traded preferred and common stock, bankers' acceptance notes, the State's local government investment pool, loans secured by first mortgages, guaranteed investment contracts, covered call options and real estate equity investments. All of the deposits and investments of the pension funds are invested by outside money managers and are held under a custodial agreement.



**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

Investments made by the City are summarized below. Investments represented by specific identifiable investment securities are classified as to credit risk by the three categories below:

Category 1 — Insured or registered, or securities held by the City or its agent in the City's name.

Category 2 — Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.

Category 3 — Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

(Expressed in Thousands)	Category		Carrying Value
	1	2	
Repurchase agreements .....	\$ 20,000	\$56,622	\$ 76,622
U.S. Treasury and Agencies.....	894,333		894,333
Corporate bonds.....	439,062		439,062
Stocks .....	1,408,138		1,408,138
	<u>\$2,761,533</u>	<u>\$56,622</u>	<u>2,818,155</u>
Mutual funds.....			1,222,920
Guaranteed investment contracts .....			70,196
Real estate equity investments .....			80,924
			<u>4,192,195</u>
Less: cash equivalents .....			501,630
Total .....			<u>\$3,690,565</u>

Investments are reported at fair value, except that investments with maturities of less than one year from purchase date are reported at cost which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at the current exchange rates. Real estate holdings are valued based on the most recent appraisal. Investments that do not have an established market are reported at estimated fair value.

At June 30, 1999, the City's retirement systems held foreign investments with a market value of \$482,461,000. These securities are subject to foreign exchange risk. At June 30, 1999, the retirement systems held currency options and forward contracts hedging their foreign investment position totaling approximately \$9,500,000 in U.S. currency in denominations of French Franc, Japanese Yen, Deutsche Mark, Austrian Dollar, British Pound, Thailand Baht, and Netherlands Guilder. Gains and losses on these forward contracts are recorded as investment income or expense.

At June 30, 1999, New Baltimore City Board of School Commissioners had mutual fund investments stated at fair value in the amount of \$4,159,000.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

**7. Property, Plant and Equipment:**

General fixed assets of the City are recorded at cost. General fixed assets activity by major class and function and sources of investment in general fixed assets (amounts expressed in thousands) for the fiscal year ended June 30, 1999, are as follows:

General Fixed Assets	Balance July 1, 1998	Additions and Transfers	Retirements and Transfers	Balance June 30, 1999
Activity by major class:				
Land .....	\$ 144,921	\$ 1,400		\$ 146,321
Buildings and improvements .....	1,182,349	17,235		1,199,584
Equipment .....	156,290			156,290
Construction in progress .....	564,177	69,030	\$28,977	604,230
Total .....	<u>\$2,047,737</u>	<u>\$87,665</u>	<u>\$28,977</u>	<u>\$2,106,425</u>
Activity by major function:				
General government .....	\$ 224,703	\$ 1,557		\$ 226,260
Public safety and regulation .....	71,859			71,859
Public works .....	35,562			35,562
Public health and welfare .....	12,449	1,400		13,849
Education .....	774,903	15,348		790,251
Recreation and culture .....	285,303	330		285,633
Economic development .....	11,951			11,951
Other .....	66,830			66,830
Construction in progress .....	564,177	69,030	\$28,977	604,230
Total .....	<u>\$2,047,737</u>	<u>\$87,665</u>	<u>\$28,977</u>	<u>\$2,106,425</u>
Sources of investment:				
Property acquired prior to July 1, 1966 .....	\$ 382,255			\$ 382,255
Property acquired July 1, 1966 and thereafter:				
General fund .....	64,938	\$ 9,728		74,666
Motor vehicle fund .....	10,633			10,633
Revenue sharing fund .....	2,659			2,659
Special capital improvement funds:				
City funds .....	34,950	3		34,953
State construction loans .....	55,121			55,121
State grants .....	385,203	4,705		389,908
Federal grants .....	102,575	4,199		106,774
Debt proceeds .....	445,226			445,226
Various funds in construction in progress .....	564,177	69,030	\$28,977	604,230
Total .....	<u>\$2,047,737</u>	<u>\$87,665</u>	<u>\$28,977</u>	<u>\$2,106,425</u>

Composition of construction in progress (amounts expressed in thousands) as of June 30, 1999, is as follows:

	Cumulative Appropriations June 30, 1999	Expended to June 30, 1999	Commitments	Unencumbered Appropriations
Composition of construction in progress:				
General government .....	\$100,105	\$ 73,689	\$ 834	\$ 25,582
Public health and welfare .....	1,985	739	67	1,179
Public safety and regulation .....	122,217	104,161	17,327	729
Sanitation and waste disposal .....	49,413	18,764	1,197	29,452
Education .....	135,611	111,026	5,356	19,229
Recreation and culture .....	84,005	58,671	2,422	22,912
Economic development .....	257,082	230,891	6,889	19,302
Other .....	11,427	6,289		5,138
Total .....	<u>\$761,845</u>	<u>\$604,230</u>	<u>\$34,092</u>	<u>\$123,523</u>

Property held by the Baltimore City Public Schools prior to the creation of the New Baltimore City Board of School Commissioners effective June 1, 1997, is reported in the City's General Fixed Assets. Equipment purchased subsequent to that date is reported as component unit property, plant and equipment, net, in the amount of \$38,349,000.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

Property, plant and equipment (amounts expressed in thousands) recorded in the Enterprise and Internal Service Funds as of June 30, 1999, consist of the following:

Enterprise Funds	Land	Buildings and Improvements	Equipment	Accumulated Depreciation	Construction in Progress	Net Total	Commitments
Water Utility .....	\$12,232	\$358,916	\$ 45,441	\$(258,497)	\$215,065	\$ 373,157	\$44,170
Waste Water Utility .....	2,345	504,987	73,907	(246,557)	480,519	815,201	30,732
Parking Facilities .....	2,375	52,402	538	(8,781)	22,023	68,557	3,707
Total .....	\$16,952	\$916,305	\$119,886	\$(513,835)	\$717,607	\$1,256,915	\$78,609
<b>Internal Service Funds</b>							
Mobile Equipment .....	\$ 794	\$ 5,047	\$110,361	\$ (71,532)		\$ 44,670	
Reproduction and Printing .....			1,053	(941)		112	
Municipal Post Office .....			120	(92)		28	
Municipal Telephone Exchange .....			188	(140)		48	
Construction Management and Inspection .....			385	(282)		103	
Risk Management .....			1,335	(626)		709	
Total .....	\$ 794	\$ 5,047	\$113,442	\$ (73,613)		\$ 45,670	

Interest is capitalized on proprietary fund type assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. During fiscal year 1999, net interest expense of \$13,394,000 (net of interest income of \$3,015,000) was capitalized.

**8. Deferred Revenue:**

Deferred revenue in the General Fund is associated with property taxes, mortgages receivable and other miscellaneous items.

Deferred revenue in the Debt Service Fund is associated with mortgages receivable.

Deferred revenue in the Special Revenue and Enterprise Funds is associated with grant funds received as of June 30, 1999, for which related expenditures or expenses have not been incurred.

**9. Debt (Other Than Revenue Bonds):**

**A. LONG-TERM DEBT:**

The City of Baltimore does not have a debt limit. However, the Constitution of Maryland requires a three-step procedure for the creation of debt by the City of Baltimore:

- Act of the General Assembly of Maryland or resolution of the majority of Baltimore City delegates
- Ordinance of the Mayor and City Council of Baltimore
- Ratification by the voters of the City of Baltimore

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

A summary of debt activity (amounts expressed in thousands) for fiscal year 1999 is as follows:

	Amount Payable June 30, 1998	Adjustments (b)	New Debt Issued or Net Increase in Obligation	Debt Retired	Amount Payable June 30, 1999
General obligation serial bonds:					
Highways .....	\$ 20,744	\$ 103	\$ 1,987	\$ 657	\$ 22,177
Health .....	50			10	40
Public safety .....	15,761	85		585	15,261
Off-street parking .....	32,753	96		1,633	31,216
Parks and recreation .....	12,758	57		456	12,359
Public buildings and facilities .....	29,344	79		914	28,509
Schools .....	74,461	217	14,286	1,910	87,054
Waste water and storm sewer .....	18,268	161		1,906	16,523
Urban renewal and development .....	221,177	555	23,452	11,205	233,979
Water .....	3,403	7		681	2,729
Waste disposal .....	4,817	26		838	4,005
Unallocated .....	5,403	3			5,406
Total bonded debt .....	438,939	1,389	39,725	20,795	459,258
Bond anticipation notes .....	18,100			3,290	14,810
Long-term financing with the Federal Government:					
Federal economic development loan .....	12,642		18,155	1,049	29,748
Environmental Protection Agency loan .....	1,619			191	1,428
Total long-term financing with the Federal Government .....	14,261		18,155	1,240	31,176
Private:					
Fannie Mae .....	2,246		4,003	1,243	5,006
Long-term financing with the State of Maryland (a):					
Highway construction loans .....	3,171			1,392	1,779
State economic development loans .....	9,885			1,311	8,574
Sewer construction loans .....	819			39	780
Total long-term financing with the State of Maryland .....	13,875			2,742	11,133
Total long-term debt .....	487,421	1,389	61,883	29,310	521,383
Less: amount recorded in Enterprise Funds .....	7,164	20		1,133	6,051
Total general long-term debt .....	\$480,257	\$1,369	\$61,883	\$28,177	\$515,332

(a) Under the Constitution of Maryland and applicable State law, certain State loans are not general obligation debts of the political subdivisions, and the political subdivisions, including the City of Baltimore, are not required to levy taxes to meet the debt service thereon. The debt service is deducted by the State Comptroller from payments due the City for its share of distributions from State income taxes and highway user revenues.

(b) The Mayor and City Council of Baltimore issued, as fully registered bonds, \$67,062,000 in Series A General Obligation Bonds dated March 1, 1995 and \$44,284,000 in Series C General Obligation Bonds dated May 1, 1998. The Series A and C Bonds consist of current interest bonds and capital appreciation bonds issued to advance refund of certain non-callable maturities of the City's general obligation bonds.

No current interest is payable on the Series A or C Capital Appreciation Bonds, which are stated to mature on October 15 in each of the years 2006 to 2011, inclusive. Interest on the Series A and C Capital Appreciation Bonds accrues from the date of delivery, is compounded semiannually on each April 15 and October 15 and will be paid at the maturity or redemption date thereon. The accreted amount due at maturity is \$5,062,000 on the Series A and \$11,000 on the Series C as of June 30, 1999. The Series A Capital Appreciation Bonds are subject to redemption prior to maturity beginning on October 15, 2005, as a whole at any time or in part thereafter on October 15 or April 15.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

The following is a summary of debt activity other than general obligation bonds and bond anticipation notes:

- *Federal Economic Development Loan:*

The City has borrowed funds from the Federal government to provide for various development projects throughout the City. At June 30, 1999, the principal owed to the Federal government was \$29,748,000 and interest of \$32,710,000 will be due thereon in future years. The loan bears interest at rates ranging from 7.90% to 9.08% and matures serially through 2012.

- *Federal Environmental Protection Loan:*

The United States Environmental Protection Agency (EPA) has granted the City a loan under the Asbestos School Hazard Abatement Act of 1984 to provide for asbestos removal at Walbrook Senior High School. At June 30, 1999, the principal owed to the EPA was \$1,428,000. The principal shall be repaid in annual installments of approximately \$191,000 at zero interest, and final payment is due on July 31, 2006.

- *Private Financing:*

The City has borrowed funds from the Federal National Mortgage Corporation to provide construction financing for various housing projects. Since 1997, the City has borrowed a total of \$6,623,000 for such purposes. The principal will be paid in semi-annual installments through January 31, 2002. At June 30, 1999, the principal owed to the Federal National Mortgage Corporation was \$5,006,000 and interest of \$811,000, at interest rates ranging from 5.36% to 6.94%, will be due thereon in future years.

- *Highway Construction Loans:*

Under an amendment to State law enacted in 1970, the City became eligible to borrow funds from the State of Maryland for highway construction purposes in the same manner that counties are permitted to borrow. Since 1971, the City has borrowed from the State a total of \$254,817,000 for such purposes. At June 30, 1999, the principal owed to the State was \$1,779,000 and interest of \$124,000, at interest rates ranging from 4.0% to 6.2%, will be due in future years through 2002.

- *State Economic Development Loans:*

The City has borrowed \$23,685,000 from the State of Maryland to provide for various economic development projects under the Maryland Industrial Land Act and the Industrial Commercial Redevelopment Act. At June 30, 1999, the principal owed to the State was \$8,574,000 and interest of \$4,728,000 will be due thereon in future years. These loans bear interest at rates ranging from 2.00% to 11.16%, and the final payment is due in 2018.

- *Sewer Construction Loans:*

Under the provisions of Chapter 445, laws of Maryland 1968, and Chapter 286, laws of Maryland 1974, loans were made available to counties and municipalities charged with providing sewerage facilities to assist in the construction of such facilities. Since December 1980, the City has borrowed a total of \$1,184,000 for sewer projects. At June 30, 1999, the principal owed to the State was \$780,000 and interest of \$385,000, at an interest rate of 6.1%, will be due thereon in future years.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

The following is a schedule of the principal and interest payments (amounts expressed in thousands) required to service the existing debt of the City until maturity:

Fiscal Year	General Obligation Bonds		Bond Anticipation Notes*		Long-Term Financing with State of Maryland		Long-Term Financing with Federal Government		Private Financing	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2000 .....	\$ 22,350	\$ 25,504	\$ 3,515	\$ 927	\$ 1,223	\$ 723	\$ 3,072	\$ 6,359	\$ 834	\$138
2001 .....	23,630	28,857	4,000	610	1,286	644	4,345	5,273	758	214
2002 .....	21,253	22,767	4,115	282	1,353	600	3,894	4,818	796	176
2003 .....	25,081	21,236	3,180	21	735	538	3,575	2,783	836	136
2004 and thereafter ...	366,944	160,275			6,536	2,732	16,290	13,477	1,782	147
Total .....	\$459,258	\$258,639	\$14,810	\$1,840	\$11,133	\$5,237	\$31,176	\$32,710	\$5,006	\$811

\* Bond Anticipation Notes' maturities are reported at stated redemption dates which cannot be accelerated by the holders.

A summary of general obligation bonds and bond anticipation notes outstanding and bonds authorized but unissued (amounts expressed in thousands) at June 30, 1999, is as follows:

Purpose	Due Dates	Outstanding		Authorized But Unissued Amount
		Interest Rates	Amount	
Fire, police and public protection .....	2000 to 2016	4.7% to 9.0%	\$ 16,421	\$ 3,000
Off-street parking .....	2000 to 2017	1.5% to 9.0%	31,337	7,100
Parks and recreation .....	2000 to 2017	2.7% to 9.0%	14,819	5,806
Public buildings and facilities .....	2000 to 2017	2.7% to 9.5%	28,891	7,778
Schools .....	2000 to 2021	2.7% to 9.0%	89,498	21,740
Waste water and storm sewer .....	2000 to 2012	2.5% to 9.0%	16,523	
Urban renewal and development .....	2000 to 2021	2.7% to 9.5%	242,222	54,781
Water .....	2000 to 2011	4.0% to 9.0%	2,729	
Highways .....	2000 to 2021	4.7% to 9.0%	22,177	6,366
Waste disposal .....	2000 to 2011	4.75% to 9.0%	4,005	
Finance .....				20,000
Health .....	2000 to 2018	5.125% to 5.3%	40	7,950
Unallocated .....	2000 to 2011	4.7% to 5.5%	5,406	
Total .....			\$474,068	\$134,521

**B. CAPITAL LEASE OBLIGATIONS:**

*Primary Government*

The City has entered into various conditional purchase agreements to construct and purchase certain facilities and equipment to be used by municipal agencies. These conditional purchase agreements do not constitute a pledge of the full faith and credit or taxing power of the City and are subject to termination if sufficient funds are not appropriated by the City Council. Since termination of these agreements is not foreseen, the agreements have been capitalized. Further, upon satisfaction of the purchase agreement, title to the facilities and equipment will pass to the City. During fiscal year 1999, the City's capital lease obligation increased by \$13,188,000 (which includes an increase of \$23,253,000 in additional leases) over the fiscal year 1998 total of \$161,480,000. This represents an 8.6% increase from the prior year.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

The following is an analysis of the leased property under capital leases by major classes (amounts expressed in thousands) at June 30, 1999:

Classes of Property	
Buildings .....	\$102,065
Equipment .....	106,532
Total .....	<u>\$208,597</u>

The following is a schedule of the future minimum payments (amounts expressed in thousands) under the conditional purchase agreements:

2000 .....	\$ 56,504
2001 .....	15,432
2002 .....	14,778
2003 .....	14,402
2004 and thereafter .....	<u>148,251</u>
Total .....	249,367
Less interest .....	<u>73,999</u>
Present value of conditional purchase agreements .....	<u>\$175,368</u>

Residual funds available from these conditional purchase agreements in the amount of \$19,041,000, recorded in the Capital Projects Fund as investments, will be used to acquire additional facilities.

*New Baltimore City Board of School Commissioners*

On December 17, 1998, the New Baltimore City Board of School Commissioners (Board) entered into a lease purchase agreement with the First Municipal Credit Corporation to provide financing for the \$24,768,000 purchase of the newly implemented ORACLE computer system. Under the terms of the agreement, funds were to be deposited into an "Acquisition Account" at the Harbor Bank of Maryland. As the Board entered into purchase agreements with one or more vendors of various items of equipment, moneys were to be drawn from the Acquisition Account to fund actual purchases. In addition, if at September 15, 2000, all of the moneys on deposit in the Acquisition Account at the Harbor Bank of Maryland have not been paid out, the Board agreed to return the remaining moneys to First Municipal Credit Corporation. As of June 30, 1999, the Board purchased \$12,645,000 of equipment under this agreement. The future minimum lease payment under this capital lease agreement as of June 30, 1999 is \$4,861,000 and is included in the Board's combined balance sheet in the General Long-Term Obligations Account Group. The remaining unused portion of the moneys on deposit of \$12,123,000 has been included in the Board's combined balance sheet in the Capital Projects Fund in cash and other liabilities. In addition, interest earned of \$530,000 is included in the Board's Capital Projects Fund cash balance.

During fiscal year 1999, interest costs incurred on the above capital lease amounted to \$228,000 and are included in the Board's Special Revenue Fund.

**C. COMPENSATED ABSENCES:**

Vested compensated absences at June 30, 1999 related to the governmental funds of the City and the New Baltimore City Board of School Commissioners was \$60,859,000 and \$58,331,000, respectively. These amounts will be paid from expendable available resources provided for in the budgets of future years. For proprietary fund types, vested compensated absences, totalling \$7,162,000 in enterprise funds and \$3,811,000 in internal service funds, are recorded and expensed when earned.

**D. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:**

State and Federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, a liability has been established in the General Long-Term Obligations Account Group based on the City's estimate of the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

postclosure care costs is \$8,523,000 as of June 30, 1999, which is based on 40.35% usage (filled) of the landfill. It is estimated that an additional \$12,601,000 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2032). The estimated total current cost of the landfill closure and postclosure care (\$21,175,000) is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 1999. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

As of June 30, 1999, the City's General Fund held investments of \$782,000, to help finance the landfill closure and postclosure care costs. In addition, the General Fund's fund balance was appropriately reserved. It is anticipated that future inflation costs will be financed in part from earnings on investments held by the City of Baltimore. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in closure or postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.



**CITY OF BALTIMORE**

**Notes to General Purpose Financial Statements**

**(Continued)**

**10. Revenue Bonds:**

The City has issued revenue bonds and revenue bond anticipation notes, the proceeds of which were used to provide funds for capital improvements to water and waste water facilities. Assets with a carrying value of \$35,004,000 at June 30, 1999, and certain revenues of the Water and Waste Water Utility Funds are pledged as collateral for the bonds. Bonds outstanding (amounts in columns expressed in thousands) as of June 30, 1999, consist of:

	Water Utility Fund	Waste Water Utility Fund
Serial bonds series 1993-A maturing in annual installments from \$805,000 to \$1,250,000 from July 1, 1999 through July 1, 2008, with interest ranging from 4.5% to 5.5%, payable semiannually .....		\$10,050
Serial bonds series 1993-A maturing in annual installments from \$1,370,000 to \$2,125,000 from July 1, 1999 through July 1, 2008, with interest ranging from 4.5% to 5.5%, payable semiannually .....	\$17,120	
Serial bonds series 1994-A maturing in annual installments from \$380,000 to \$590,000 from July 1, 1999 through July 1, 2009, with interest ranging from 4.1% to 5.0%, payable semiannually .....		5,205
Serial bonds series 1994-A maturing in annual installments from \$545,000 to \$850,000 from July 1, 1999 through July 1, 2009, with interest ranging from 4.1% to 5.0%, payable semiannually .....	7,520	
Serial bonds series 1994-B maturing in annual installments from \$290,000 to \$406,000 from February 1, 1999 through February 1, 2015, with interest rate at 2.25%, payable semiannually .....		5,526
Serial bonds series 1994-C maturing in annual installments from \$267,000 to \$387,000 from February 1, 1999 through February 1, 2015, with interest rate at 2.5%, payable semiannually .....		5,186
Serial bonds series 1994-D maturing in annual installments from \$174,000 to \$297,000 from February 1, 1999 through February 1, 2015, with interest rate at 3.6%, payable semiannually .....		3,694
Serial bonds series 1996-A maturing in annual installments from \$455,000 to \$745,000 from July 1, 1999 through July 1, 2009, with interest ranging from 4.5% to 5.55%, payable semiannually .....		6,430
Serial bonds series 1996-A maturing in annual installments from \$655,000 to \$1,070,000 from July 1, 1999 through July 1, 2009, with interest ranging from 4.5% to 5.55%, payable semiannually .....	9,260	
Serial bonds series 1996-B maturing in annual installments from \$124,000 to \$210,000 from August 1, 1999 through February 1, 2017, with interest at 3.18%, payable semiannually .....		2,946
Serial bonds series 1998-A maturing in annual installments from \$370,000 to \$835,000 from July 1, 1999 through July 1, 2012, with interest ranging from 3.75% to 4.8%, payable semiannually .....	8,850	
Serial bonds series 1998-A maturing in annual installments from \$242,000 to \$414,000 from August 1, 2000 through August 1, 2019, with interest rate at 2.87%, payable semiannually .....		6,420
Serial bonds series 1998-B maturing in annual installments from \$340,000 to \$765,000 from July 1, 1999 through July 1, 2012, with interest ranging from 3.75% to 4.8%, payable semiannually .....		8,125
Term bonds series 1990-B with interest at 3.806%, payable semiannually, due February 1, 2012 .....		7,654
Term bonds series 1993-A with interest at 5.6%, payable semiannually, due July 1, 2013 .....	12,200	7,100
Term bonds series 1993-A with interest at 5.65%, payable semiannually, due July 1, 2020 .....	23,900	14,000
Term bonds series 1994-A with interest at 6.0%, payable semiannually, due July 1, 2015 .....	6,250	4,330
Term bonds series 1994-A with interest at 5.0%, payable semiannually, due July 1, 2022 .....		7,115
Term bonds series 1994-A with interest at 5.0%, payable semiannually, due July 1, 2024 .....	30,475	
Term bonds series 1996-A with interest at 5.8%, payable semiannually, due July 1, 2015 .....	7,845	5,445
Term bonds series 1996-A with interest at 5.5%, payable semiannually, due July 1, 2026 .....	23,115	16,040
Term bonds series 1998-A with interest at 5.375%, payable semiannually, due July 1, 2015 .....	2,765	
Term bonds series 1998-A with interest at 5.0%, payable semiannually, due July 1, 2018 .....	3,220	
Term bonds series 1998-A with interest at 5.0%, payable semiannually, due July 1, 2028 .....	14,890	
Term bonds series 1998-B with interest at 5.375%, payable semiannually, due July 1, 2015 .....		2,540
Term bonds series 1998-B with interest at 5.0%, payable semiannually, due July 1, 2018 .....		2,960
Term bonds series 1998-B with interest at 5.0%, payable semiannually, due July 1, 2028 .....		13,700
Bond anticipation notes series 1999-A, water projects, floating interest rate, payable monthly, due July 1, 2000 .....	12,000	
Bond anticipation notes series 1999-A, waste water projects, floating interest rate, payable monthly, due July 1, 2000 .....		9,000
	<u>179,410</u>	<u>143,466</u>
Less unamortized charges .....	<u>1,373</u>	<u>1,248</u>
	<u>\$178,037</u>	<u>\$142,218</u>

The term bonds series 1990-B due February 1, 2012, are subject to redemption at par prior to maturity by operation of a mandatory sinking fund in annual principal amounts ranging from \$466,000 to \$730,000. The term bonds series 1993-A due July 1, 2013, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$1,100,000 to \$1,350,000 for the Water Utility Fund and \$650,000 to \$800,000 for the Waste Water Utility Fund. The term bonds series 1993-A due July 1, 2020, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$1,450,000 to \$2,000,000 for the Water Utility Fund and \$850,000 to \$1,150,000 for the Waste Water Utility Fund.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

The serial bonds series 1994-A are subject to redemption prior to maturity beginning on and after July 1, 2004, at redemption prices ranging from 102% to 100% of the principal amount. The term bonds series 1994-A due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2010, at annual principal amounts ranging from \$895,000 to \$1,200,000 for the Water Utility Fund and \$620,000 to \$830,000 for the Waste Water Utility Fund. The term bonds series 1994-A due July 1, 2022, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$875,000 to \$1,170,000. The term bonds series 1994-A due July 1, 2024, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,265,000 to \$6,320,000.

The serial bonds series 1996-A are subject to redemption prior to maturity beginning on and after July 1, 2006, at redemption prices ranging from 101% to 100% of the principal amount. The term bonds series 1996-A due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2010, at annual principal amounts ranging from \$1,130,000 to \$1,500,000 for the Water Utility Fund and \$785,000 to \$1,040,000 for the Waste Water Utility Fund. The term bonds series 1996-A due July 1, 2026, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,585,000 to \$2,710,000 for the Water Utility Fund and \$1,100,000 to \$1,880,000 for the Waste Water Utility Fund.

The serial bonds series 1998-A and 1998-B are subject to redemption prior to maturity beginning on and after July 1, 2008, at redemption prices ranging from 101% to 100% of the principal amount. The term bonds series 1998-A and 1998-B due July 1, 2015, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2013, at annual principal amounts ranging from \$875,000 to \$970,000 for the Water Utility Fund and \$805,000 to \$890,000 for the Waste Water Utility Fund. The term bonds series 1998-A and 1998-B due July 1, 2018, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2016, at annual principal amounts ranging from \$1,020,000 to \$1,125,000 for the Water Utility Fund and \$940,000 to \$1,035,000 for the Waste Water Utility Fund. The term bonds series 1998-A and 1998-B due July 1, 2028, are subject to mandatory redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2019, at annual principal amounts ranging from \$1,185,000 to \$1,835,000 for the Water Utility Fund and \$1,090,000 to \$1,690,000 for the Waste Water Utility Fund.

The City has issued refunding revenue bonds, the proceeds of which were used to refinance all prior existing debt of the Parking Facilities Fund. Assets with a carrying value of \$13,086,000 at June 30, 1999, and certain revenues of the Parking Facilities Fund are pledged as collateral for the bonds. Bonds outstanding (amounts expressed in thousands) as of June 30, 1999, consist of:

Serial bonds series 1992-B maturing in annual installments from \$380,000 to \$510,000 from July 1, 1999 through July 1, 2003, with interest ranging from 7.50% to 7.95%, payable semiannually .....	\$ 2,215
Serial bonds series 1993 maturing in annual installments from \$2,575,000 to \$3,810,000 from July 1, 1999 through July 1, 2008, with interest ranging from 4.05% to 4.7%, payable semiannually .....	31,425
Serial bonds series 1997-B maturing in annual installments from \$250,000 to \$495,000 from July 1, 1999 through July 1, 2010, with interest ranging from 6.05% to 6.5%, payable semiannually .....	4,305
Term bonds series 1992-B with interest at 8.4%, payable semiannually, due July 1, 2011.....	5,955
Term bonds series 1993 with interest at 5.1%, payable semiannually, due July 1, 2013 .....	3,395
Term bonds series 1993 with interest at 5.0%, payable semiannually, due July 1, 2018 .....	4,330
Term bonds series 1997-A with interest at 5.9%, payable semiannually, due July 1, 2013.....	21,760
Term bonds series 1997-A with interest at 6.0%, payable semiannually, due July 1, 2018.....	29,040
Term bonds series 1997-B with interest at 6.75%, payable semiannually, due July 1, 2017.....	4,510
Term bonds series 1997-B with interest at 6.625%, payable semiannually, due July 1, 2022 .....	4,735
Term bonds series 1997-B with interest at 6.625%, payable semiannually, due July 1, 2027 .....	6,525
Term bonds series 1998-A with interest at 4.9%, payable semiannually, due July 1, 2011.....	175
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2014.....	1,770
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2017.....	2,060
Term bonds series 1998-A with interest at 5.25%, payable semiannually, due July 1, 2021.....	3,300
	<u>125,500</u>
Less unamortized charges .....	4,954
	<u>\$120,546</u>

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

The serial bonds series 1992-B are subject to redemption prior to maturity beginning on and after July 1, 2002, at redemption prices ranging from 102% to 100% of the principal amount. The series 1992-B term bonds due July 1, 2011, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2004, at annual principal amounts ranging from \$550,000 to \$970,000. The serial bonds series 1993 due July 1, 2004 and July 1, 2005, are subject to redemption prior to maturity beginning on and after July 1, 2003, at redemption prices ranging from 102% to 100% of the principal amount. The series 1993 term bonds due July 1, 2013 and July 1, 2018, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$615,000 to \$960,000. The series 1997-A term bonds due July 1, 2013 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2009, at annual principal amounts ranging from \$3,860,000 to \$4,870,000. The series 1997-A term bonds due July 1, 2018 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2014, at annual principal amounts ranging from \$5,160,000 to \$6,505,000. The serial bonds series 1997-B are subject to redemption prior to maturity beginning on or after July 1, 2007, at redemption prices ranging from 101% to 100% of the principal amount. The series 1997-B term bonds due July 1, 2017 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2011, at annual principal amounts ranging from \$525,000 to \$775,000. The series 1997-B term bonds due July 1, 2022 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2018, at annual principal amounts ranging from \$830,000 to \$1,070,000. The series 1997-B term bonds due July 1, 2027 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2023, at annual principal amounts ranging from \$1,145,000 to \$1,475,000. The series 1998-A term bonds due July 1, 2011 are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2003, at annual principal amounts ranging from \$15,000 to \$25,000. The series 1998-A term bonds due July 1, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2012, at annual principal amounts ranging from \$560,000 to \$620,000. The series 1998-A term bonds due July 1, 2017, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2015, at annual principal amounts ranging from \$650,000 to \$725,000. The series 1998-A term bonds due July 1, 2021, are subject to redemption at par prior to maturity by operation of a sinking fund on or after July 1, 2018, at annual principal amounts ranging from \$760,000 to \$890,000.

The City has issued \$100,000,000 in variable rate demand revenue bonds Series 1986, through the Baltimore Industrial Development Authority of the Mayor and City Council (the IDA). The purpose of these bonds is to finance various municipal capital projects. The bonds mature on August 1, 2016, but are subject to optional or mandatory redemptions in whole or part prior to maturity.

The bonds bear interest at a variable rate that is reset by the Remarketing Agent on a weekly basis. During fiscal year 1999, the variable interest rate paid by the City on these bonds ranged from a high of 4.85% to a low of 3.55%. It is the objective of the Remarketing Agent to set interest rates high enough to assure that the bonds are readily marketable, yet maintain the lowest possible interest cost for the Authority.

In conjunction with the issuance of the bonds, Bayerische Landesbank Girozentrale, New York Branch (the Bank) issued an irrevocable letter of credit in the amount of \$102,500,000 in favor of the City and Allfirst Trust of Maryland as trustee and Chemical Bank as fiscal agent for the bondholders. The letter of credit expires June 12, 2000, but can be extended for an additional two years. The existing letter of credit permits the fiscal agent to draw amounts necessary to pay the principal portion and related accrued interest on bonds when tendered for purchase and not remarketed. Pursuant to the letter of credit agreement between the City, the Bank and the fiscal agent, the issuer is required to reimburse the Bank the amount drawn upon remarketing or in a lump sum on June 12, 2000, whichever is earlier. If the takeout agreement were to be exercised because the entire issue of \$100,000,000 of demand bonds was put and not resold, the City would be required to pay approximately \$8,000,000 per year through the expiration of the agreement. The interest rate on draws made from the letter of credit is at the Bank's prime interest rate.

The City is required to pay the Bank a fee throughout the period of effectiveness of the letter of credit equal to 0.11% per annum of the daily average unutilized amount and 0.20% per annum of the daily average utilized amount.

During fiscal year 1999, the City made no draws under the letter of credit, and no amounts drawn against the letter of credit were outstanding at June 30, 1999.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

The Convention Center Refunding Revenue Bonds, Series 1998 were issued May 1, 1998 and are special, limited obligations of the City of Baltimore to refund the \$56,385,000 Mayor and City Council Convention Center Revenue Bonds Series 1994. The bonds are payable solely from revenues which consists of certain hotel taxes and certain receipts derived from the ownership and operation of the Baltimore Convention Center. These bonds include \$31,710,000 in serial bonds, which are due to mature on September 1, in each of the years 1999 to 2012, inclusive; \$6,695,000 in 5.5% term bonds due to mature September 1, 2014; \$3,625,000 in 5.5% term bonds due to mature on September 1, 2015 and \$16,485,000 in 5.0% term bonds due to mature on September 1, 2019. Interest on the bonds is payable on each March 1 and September 1 in each year. The bonds maturing on or after September 1, 2009 are subject to redemption prior to maturity beginning on and after September 1, 2008 at redemption prices ranging from 102% to 100% of the principal amount. The term bonds due September 1, 2014, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2013, at annual principal amounts ranging from \$3,260,000 to \$3,345,000. The term bonds due September 1, 2019, are subject to redemption at par prior to maturity by operation of a sinking fund on or after September 1, 2016, at annual principal amounts ranging from \$3,825,000 to \$4,425,000. These revenue bonds have been recorded in the General Long-Term Obligations Account Group because they are expected to be paid by general fund revenues.

Principal maturities and interest (amounts expressed in thousands) of revenue bonds and revenue bond anticipation notes are as follows:

	Water Utility		Waste Water Utility		Parking Facilities		Industrial Development Authority		Convention Center	
	Principal	Interest*	Principal	Interest*	Principal	Interest*	Principal	Interest*	Principal	Interest*
2000 .....	\$ 2,940	\$ 9,686	\$ 3,544	\$ 7,038	\$ 3,205	\$ 7,131		\$ 8,000	\$ 1,225	\$ 2,891
2001 .....	15,190	8,671	12,782	6,239	3,360	6,977		8,000	1,780	2,832
2002 .....	3,335	8,443	3,932	6,030	3,515	6,813		8,000	1,850	2,758
2003 .....	3,480	8,285	4,088	5,873	3,690	6,636		8,000	1,930	2,679
2004 .....	3,655	8,116	4,246	5,706	3,885	6,446		8,000	2,010	2,596
2005 and thereafter .....	150,810	105,085	114,874	65,765	107,845	63,734	\$100,000	96,000	49,720	23,388
Total .....	\$179,410	\$148,286	\$143,466	\$96,651	\$125,500	\$97,737	\$100,000	\$136,000	\$58,515	\$37,144

\* Variable rate bonds' interest estimated at 8%.

Revenue bonds payable are presented on the combined balance sheet net of unamortized charges in the amount of \$7,575,000.

At June 30, 1999, revenue bonds payable for the Industrial Development Authority (IDA) are presented on the combined balance sheet net of \$73,426,000 of notes and obligations purchased from the City by the IDA. These obligations have been included in the General Long-Term Obligations Account Group.

# **11. Prior-Year Defeasance of Debt:**

In prior years, the City defeased certain revenue bonds and other obligations by placing the proceeds of new debt issues in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. At June 30, 1999, \$217,406,000 of debt outstanding is considered defeased.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

**12. Operating Leases:**

The City has entered into a number of operating leases for rental of office facilities and equipment, some of which provide for increased rentals based upon increases in real estate taxes and common area maintenance fees. As of June 30, 1999, future minimum lease payments (amounts expressed in thousands) are as follows:

2000 .....	\$ 4,854
2001 .....	4,391
2002 .....	4,138
2003 .....	3,349
2004 and thereafter .....	<u>27,200</u>
Total .....	<u>\$43,932</u>

All leases contain cancellation provisions and are subject to annual appropriations by the City Council. During fiscal year 1999, rent expenditures approximated \$11,752,000 for all types of leases. These expenditures were made primarily from the General Fund.

**13. Retirement Systems:**

All city employees, other than the professional employees of the Enoch Pratt Free Library and the New Baltimore City Board of School Commissioners (Board) who are members of the Maryland State Retirement System to which the City and the Board makes no contributions, are covered under one of the following Public Employees Retirement Systems (PERS).

*Plan Descriptions:*

The City of Baltimore contributes to two single-employer defined benefit pension plans, the Fire and Police Employees' Retirement System and the Elected Officials' Retirement System, and one multiple-employer plan, the Employees' Retirement System. Each plan provides retirement benefits as well as disability benefits to plan members and their beneficiaries. The plans are each managed by a Board of Trustees in accordance with Article 22 of the Baltimore City Code. Plan benefits provision may be amended only by the City Council. The plans are considered part of the City's reporting entity and their financial statements are included in the City's general purpose financial statements as pension trust funds. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing the plan at the following address:

Baltimore City Retirement Systems  
Room 640, City Hall  
100 N. Holliday Street  
Baltimore, Maryland 21202

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

*Funding Policy and Annual Pension Cost*

Baltimore City Code establishes the contribution requirements for plan members and the City for each of the three plans. The City's annual pension cost for the current year and related information for each plan is as follows:

(Dollars Expressed in Thousands)			
	Fire and Police Employees' Retirement System	Employees' Retirement System	Elected Officials' Retirement System
Contribution rates:			
Employer .....	0.1%	6.5%	24.3%
Employee .....	6%	4%	5%
Annual pension cost .....	\$268	\$19,710	\$217
Contribution made .....	\$268	\$19,710	\$217
Basis of Accounting .....	Accrual	Accrual	Accrual
Actuarial valuation date .....	June 30, 1999	June 30, 1999	June 30, 1999
Actuarial cost method .....	Projected Unit Credit Cost	Projected Unit Credit Cost	Projected Unit Credit Cost
Amortization method .....	Level Dollar Open	Level Dollar Open	Level Dollar Open
Remaining amortization period .....	20 years	20 years	10 years
Assets valuation method .....	5 year smoothed market	5 year smoothed market	5 year smoothed market
Actuarial assumption:			
Investment rate of return:*			
Pre-retirement* .....	8.25%	8.00%	7.5%
Post-retirement .....	6.8%	6.8%	6.0%
Projected salary increases* .....	4.5% – 10.0%	4.75% – 7.00%	6.0%
*Includes inflation at .....	3.75%	3.75%	3.75%

**Three-Year Trend Information**  
**(Dollars Expressed in Thousands)**

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Fire and Police Employees' Retirement System:			
June 30, 1999 .....	\$ 268**	100%	\$0
June 30, 1998 .....	13,830*	100	0
June 30, 1997 .....	9,305	100	0
Employees' Retirement System:			
June 30, 1999 .....	19,710	100	0
June 30, 1998 .....	20,990	100	0
June 30, 1997 .....	19,680	100	0
Elected Officials' Retirement System:			
June 30, 1999 .....	217	100	0
June 30, 1998 .....	351	100	0
June 30, 1997 .....	237	100	0

\* Fiscal year 1998 was reduced by \$10 million of interest surplus as provided by law.

\*\* Fiscal year 1999 was reduced by \$30 million of interest surplus as provided by law.



**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

**Required Supplementary Information**  
**Schedule of Funding Progress**  
**(Dollars Expressed in Thousands)**  
**(Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess of) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of) as a Percentage of Covered Payroll ((b-a)/c)
<b>Fire and Police Employees' Retirement System:</b>						
June 30, 1999.....	\$1,974,471	\$1,919,288	\$(55,183)	102.9%	\$183,068	(30.1)%
June 30, 1998.....	1,913,980	1,850,540	(63,440)	103.4	185,817	(34.1)
June 30, 1997.....	1,723,838	1,719,217	(4,621)	100.3	176,873	(2.6)
<b>Employees' Retirement System:</b>						
June 30, 1999.....	1,247,952	1,193,031	(54,921)	104.6	305,212	(18.0)
June 30, 1998.....	1,185,993	1,155,226	(30,767)	102.7	290,848	(10.6)
June 30, 1997.....	1,055,278	1,077,066	21,788	98.0	276,069	7.9
<b>Elected Officials' Retirement System:</b>						
June 30, 1999.....	12,650	10,140	(2,510)	124.8	893	(281.1)
June 30, 1998.....	11,223	9,370	(1,853)	119.8	893	(207.5)
June 30, 1997.....	8,910	7,844	(1,066)	113.6	893	(119.4)

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of the plan over time indicates whether the plans are becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the plan.

*The Unfunded Fire and Police Pension Plan*

The City's Fire and Police Departments are the administrators of the City's unfunded single employer defined benefit local retirement plan. The plan is managed by the City's Fire and Police Departments under the Code of Local Laws of Baltimore. All employees eligible for this plan were hired prior to January 1, 1947. All members of this plan are currently retired and the City plans to pay benefits on a pay-as-you-go basis until all obligations have been fulfilled. The unfunded accrued liability represents the actuarial present value of future benefits based on assumed annual salary increases of 4.0%. There is no covered payroll for the plan. The City's annual contributions equal the employee benefits paid under the terms of the plan. The City's employer contributions and unfunded accrued liability for the last three years are as follows:

**Three-Year Trend Information**  
**(Dollars Expressed in Thousands)**

	Employer Contributions	Unfunded Accrued Liability
June 30, 1999.....	\$6,086	\$33,134
June 30, 1998 .....	6,603	36,484
June 30, 1997 .....	8,002	40,213

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

*The Maryland State Retirement and Pension Systems*

Under Maryland law, the New Baltimore City Board of School Commissioners (Board) is required to make no contributions to the State Systems. The covered employees are required by State statute to contribute to the State Systems. The contribution from employees is 5% for participants in the State Systems retirement plans (with a 5% limit on the annual living allowance and 7% for those who elect a limit on the cost of living allowance commensurate with the Consumer Price Index) and 5% for participants in the State Systems pension plans to the extent their regular earnings exceed the Social Security wage base. Contributions are deducted from participant's salary and wage payments and are remitted to the State on a regular, periodic basis.

The State of Maryland pays, on behalf of the Board, the employer's share of retirement and pension costs to the State System for teachers and related positions. During the year ended June 30, 1999, the State paid \$50,009,000 in such costs. This amount has been recorded by the Board as both a revenue and an expenditure in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance.

The State also makes contributions on behalf of Enoch Pratt Free Library employees. The State's contributions for the year ended June 30, 1999 was \$1,339,000. This amount has also been recognized as both a revenue and an expenditure in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance.

**14. Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1987, the City established the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks. The City's risk financing techniques include a combination of risk retention through self-insurance and risk transfer through the purchase of commercial insurance. The Risk Management Fund services all claims for risk of loss, including general liability, property and casualty, workers' compensation, unemployment compensation, automobile physical damage and bodily injury, and sundry other risks. Commercial insurance coverage is provided for each property damage claim in excess of \$750,000 with a cap of \$200,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. The City also provides medical insurance coverage for all employees and retirees. Employees are required to pay a percentage of the annual cost of the medical plans and the remaining costs are paid by the internal service fund.



**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

All funds of the City and the New Baltimore City Board of School Commissioners participate in the program and make payments to the Risk Management Fund based on actuarial estimates and historical cost information of the amounts needed to pay prior and current year claims. As of June 30, 1999, the claims liability of \$97,616,000 reported in the fund is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. This liability, which has been discounted at 5.66% at June 30, 1999, does not include the effects of inflation, incremental or other allocated or unallocated claim adjustment expenses, salvage, or subrogation, as such factors are not considered material. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made. Changes in the Risk Management Fund's claims liability (amounts expressed in thousands) in fiscal year 1998 and 1999 were:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
1998 .....	\$85,574	\$188,048	\$(183,387)	\$90,235
1999 .....	90,235	203,055	(195,674)	97,616

**15. Postemployment Benefits:**

City administrative policy provides that certain postemployment benefits, other than pension benefits, be provided to all its employees, including the New Baltimore City Board of School Commissioners. These benefits include certain health care and life insurance benefits. All employees who retire are eligible to receive these benefits. At June 30, 1999, there were 21,076 retirees eligible for these benefits. The City reimburses approximately 63% of the premium cost incurred by pre-Medicare retirees and their dependents. The City also reimburses approximately 84% of the cost for Medicare supplement for each retiree or dependent eligible for Medicare. Such benefits are accounted for on a cash basis so that payments during the current year represent benefit coverage for currently retired employees or their beneficiaries. During fiscal year 1999, these postemployment benefits amounted to \$57,305,000.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

**16. Individual Fund Disclosures:**

Interfund receivables and payables (amounts expressed in thousands) at June 30, 1999, are as follows:

	Interfund Receivables	Interfund Payables
General .....	\$54,033	\$ 1,295
Special Revenue:		
Grants Revenue .....		19,827
Motor Vehicle .....		18,121
Special Racetrack .....	99	24
Community Development Block Grants .....		12,963
	<u>99</u>	<u>50,935</u>
Internal Service:		
Reproduction and Printing .....		99
Municipal Telephone .....		478
Construction Management and Inspection .....		2,511
		<u>3,088</u>
Capital Projects .....	<u>11,238</u>	<u>99</u>
Enterprise:		
Water Utility .....	8,551	948
Waste Water Utility .....	9,079	4,488
Parking Facilities .....		5,263
Industrial Development Authority .....		18,179
	<u>17,630</u>	<u>28,878</u>
Debt Service .....	<u>1,295</u>	
Totals .....	<u>\$84,295</u>	<u>\$84,295</u>

The following funds had a deficit (amounts expressed in thousands) in retained earnings at June 30, 1999:

Internal Service Funds:	
Construction Management and Inspection .....	\$ 4,353
Reproduction and Printing .....	280
Municipal Post Office .....	14
Risk Management .....	25,228
Municipal Telephone Exchange .....	1,080
Enterprise Funds:	
Loan and Guarantee Program .....	32,635

The City plans to continue to charge City agencies premiums in excess of that needed to cover expected operating expenses, including claims paid and incurred, and thereby eliminating the accumulated Risk Management Fund deficit over the next nine years.

The deficits in the other Internal Service Funds will be eliminated by reduced salary expenses and increases in user fees.

At the completion of the Loan and Guarantee Program, the City plans to eliminate its deficit by offsetting it against contributed capital.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

**17. Segment Information — Enterprise Funds:**

Selected financial information (amounts expressed in thousands) with respect to business segments of Enterprise Funds as of June 30, 1999, and the year then ended is as follows:

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Operating revenues .....	\$ 72,949	\$105,718	\$ 41,248	\$ 1,240	\$ 4,644	\$ 225,799
Depreciation and amortization expense .....	7,569	11,876	1,176		34	20,655
Operating income (loss) .....	4,600	1,492	36,369	(1,980)	951	41,432
Operating transfers out .....			(26,708)			(26,708)
Net income (loss) .....	3,657	2,426	3,192	(1,980)	951	8,246
Net working capital .....	27,111	33,871	4,958	20,260	55,359	141,559
Changes in contributed capital, net .....	11,271	11,062		(4,232)		18,101
Changes in property, plant and equipment .....	35,838	33,870	8,788			78,496
Total assets .....	462,408	891,336	146,732	26,230	56,255	1,582,961
General long-term debt payable .....	2,730	3,322				6,052
Notes payable .....				273		273
Revenue bonds payable, net .....	178,037	142,218	120,546		26,574	467,375
Total equity .....	264,255	721,763	16,835	19,304	11,192	1,033,349

**18. Commitments and Contingencies:**

The City is party to legal proceedings which normally occur in governmental operations. The City provides for the estimated losses on certain outstanding claims as discussed in Note 14. The City has determined, in consultation with outside counsel, that certain claims are in too early of a stage to make a reasonable assessment of the City's liability. The aggregate amounts sought in this litigation totals approximately \$150 million. The City vigorously contests such claims as a matter of policy and will fully assert all available remedies, including the \$200,000 ceiling per individual claim. It is the opinion of City management, in consultation with outside legal counsel, that any additional liability for remaining litigation will not be material to the City's financial position or results of operations.

As of June 30, 1999, the City is contingently liable for loans guaranteed by the Loan and Guarantee Program in an aggregate amount of approximately \$7,815,000.

The City receives significant financial assistance from the U.S. Government and the State of Maryland in the form of grants. Entitlement to grant resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal and State regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits in accordance with grantors' requirements. Any disallowances as a result of these audits become a liability of the City. As of June 30, 1999, the City estimates that no material liabilities will result from such audits.

Under the terms of a Waste Disposal Agreement, the City has committed to deliver 900 tons of solid waste per day through May, 2005 to the Northeast Maryland Waste Disposal Authority. The City's current tipping fee expense for delivering the solid waste is \$40.88 per ton. Such tipping fee is subject to adjustment for inflation and certain other factors as provided in the Waste Disposal Agreement.

The City has entered into a 20-year Sewerage Sludge Disposal Agreement with the Northeast Maryland Waste Disposal Authority in connection with the financing of a sludge composting facility in Baltimore City. The agreement obligates the City to deliver approximately 55,000 tons of sewerage sludge per year and to pay a tipping fee comparable to alternative methods currently being used by the City. The debt service on variable rate bonds is a component of the tipping fee. These fees are recorded in the Waste Water Utility Enterprise Fund. The City's current tipping fee expense for delivering sewerage sludge is approximately \$94 per wet ton.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

The City has also entered into 20-year Service Agreements with Wheelabrator Water Technologies Baltimore L.L.C. in connection with the financing of heat drying facilities for processing biosolids at the City's Back River and Patapsco Wastewater Treatment Plants. The agreements obligate the City to deliver approximately 20,000 dry tons of biosolids per year at each facility and to pay a tipping fee. The debt service on the bonds is a component of the tipping fee. These fees are recorded in the Waste Water Utility Enterprise Fund. The City's current tipping fee expense for delivering biosolids is approximately \$430 per dry ton.

**19. Year 2000 Compliance Status (Required Supplementary Information — Unaudited)**

*Overview*

Certain computer programs and systems have been developed using two digits rather than four to define the applicable year, which could result in the computer recognizing the date using "00" as the year 1900 rather than the year 2000. This, in turn, could result in computer generated miscalculations, service degradation, or potentially, system failure, and is generally referred to as the "Year 2000" (Y2K) problem.

The City of Baltimore's Year 2000 (Y2K) compliance efforts are being overseen by an Information Technology Board (ITB) and coordinated by the Bureau of Information Technology Services (BITS) in the Department of Finance. The ITB was created by the Mayor in January 1997 and is comprised of the Chief of Staff and four senior department heads. In September 1997, the ITB initiated a Committee of Information Technology Leaders (CITLeads) with members from all City departments and agencies. The CITLeads meet regularly and, among other things, are responsible for reporting on the Year 2000 efforts in their respective organizations. BITS, assisted by an outside consulting team, continuously tracks, consolidates and reports on the progress of Citywide Y2K efforts with a formal monthly status to the ITB and to the Mayor, at his request.

*Mainframe Systems*

In December 1996, the City took delivery of a new IBM S390 computer as part of a planned consolidation of four older machines running at three sites. Most of the City's mission critical business systems are currently running on this platform. Those systems under BITS control, including tax and other billing, accounting, and payroll, have been part of a Y2K conversion effort that began in 1994. These systems either have been or are expected to be fully compliant and tested by December 1999. BITS has constructed a "hot site" Y2K test bed and has conducted tests of critical systems in a Y2K operating environment.

Several smaller systems maintained by the Departments of Public Works and Police are scheduled to complete renovation or replacement by year-end.

*Client Server and Other Distributed Systems*

**Workstations** — The City has updated its desktop workstation inventory and implemented "Y2K testing and remediation" software for use across the organization. As anticipated, the selected solution has been capable of identifying non-compliant hardware and device resident software and has, to a limited capacity, installed corrective patches. City management believes that all high priority "at risk" workstations/software have been identified and repaired or replaced at this time.

**Client Servers and Other Remote Devices** — The City has conducted and completed an in-depth inventory and assessment of all servers, their operating systems and applications early in 1999. This review resulted in renovation plans that included triage, repair, upgrade, or replacement strategies which are complete and executed at this time for all mission critical systems. It is the City's belief that its file, print, application and compute servers will continue to support essential City services and will not be jeopardized by non-compliant technology. Testing programs and schedules are being developed, as required, for other data devices.

*Embedded Chips*

Embedded chips are miniature computers or related components that are integral to a wide variety of operating equipment. Each City Department has been instructed to comprehensively inventory and assess all devices and equipment that may contain embedded chips. Examples may include telecommunications and radio equipment; building systems (such

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

as elevators, HVAC, security, lighting, etc.); medical support devices; plant control equipment; traffic control; and others. Assessment and correction plans were developed through all available means including direct vendor contact, professional associations, and the Internet. The City believes that it will have identified and corrected critical embedded chip systems from the potential equipment failures due to Y2K anomalies by December 1999. Furthermore, contingency plans will be developed within the same time frame to protect essential City systems from unforeseen Y2K interruptions.

*Resources Committed*

Y2K related expenditures began as early as fiscal year 1994. An all-inclusive effort has not been made, nor is one anticipated to be made, for gathering a comprehensive compilation of actual expenditures from the inception of Y2K activities. The estimates below to correct the Y2K problem are based on average salaries and equipment replacement costs.

Mainframe .....	\$ 750,000
Workstations.....	3,500,000
Other Equipment .....	4,500,000
Staff.....	3,000,000
Consultants .....	500,000
Total .....	<u>\$12,250,000</u>

*Stages of Work*

The City's Y2K process involves four phases:

*Phase I — Awareness Stage.* This phase encompasses problem definition, executive support and sponsorship as well as establishing a budget and project plan for dealing with the Y2K issue.

*Phase II — Assessment Stage.* This phase begins with identifying all of the City systems and individual components of those systems. The City has identified its mission-critical systems and equipment, which are systems and equipment that are critical to conducting operations, and checking for compliance.

*Phase III — Remediation Stage.* This phase is comprised of making technical changes to existing systems and equipment or switching to new compliant systems. During this stage, decisions are made on how to make the systems Y2K compliant, and the required system changes are made.

*Phase IV — Validation/Testing Stage.* This phase validates and tests the changes made during the remediation stage. This stage includes the development of test data and test scripts, the running of test scripts, and the review of test results. During this phase, contingency and business continuity plans are also developed and tested.

The City's Y2K remediation work for its mission-critical systems and electronic equipment (classified by major categories of IT platforms) are in the following stages of work. C means complete and P means in process.

	Awareness	Assessment	Remediation	Validation
Mainframe .....	C	C	C	P
Client Server & Distributed.....	C	C	C	P
Embedded Chips .....	C	C	P	P

*Contacts With Business Partners and Others*

The previous comments have dealt with efforts to achieve Y2K compliance in the City information systems, equipment, and embedded chips. The City is also aware that its operations can be impacted by the failure of other parties to solve their Y2K problems. Continuing efforts are being made at the highest levels within the City of Baltimore and State of Maryland to coordinate our shared systems conversions in an effort to avoid creating unforeseen problems. Similar steps have been employed in working with our principal banks and other financial institutions. Efforts are underway to obtain assurances that our power and communications suppliers do not expect any Y2K related service interruptions as well. Finally, the City has and continues to investigate its supply chain as to assure that critical materials and services are not interrupted due to Y2K issues. Contingency planning applies to this area as well.

**CITY OF BALTIMORE**  
**Notes to General Purpose Financial Statements**  
**(Continued)**

While the City has allocated significant resources to the Y2K issue and expects to resolve all of its Y2K problems prior to December 31, 1999, there can be no assurance that all systems will be ready or that failure of systems not identified as critical will not have a significant negative effect on the City's operation. Also, minor problems will undoubtedly remain after December 31, 1999. The City does not expect Y2K problems to have a material adverse effect on its financial health or its ability to meet its financial obligations in a timely manner. However, the City has no control over the Y2K remediation efforts of external third parties and to the extent that the third parties have not resolved their Y2K problems, they may negatively impact the City.

# ***FINANCIAL STATEMENTS***

COMBINING AND INDIVIDUAL FUND

**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**and Changes in Fund Balance — Budget and Actual (Budgetary Basis)**  
**General Fund**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes — local:			
Real property .....	\$383,942	\$388,210	\$ 4,268
Personal property .....	82,475	85,058	2,583
Sales and services .....	72,552	72,723	171
Payments in lieu of taxes .....	5,184	5,217	33
Income .....	142,931	145,270	2,339
Other .....	2,400	4,147	1,747
Total taxes — local .....	689,484	700,625	11,141
Licenses and permits:			
General government .....	3,319	2,500	(819)
Public safety and regulation .....	12,129	12,190	61
Conservation of health .....	1,519	1,563	44
Highways .....	1,718	1,701	(17)
Total licenses and permits .....	18,685	17,954	(731)
Fines and forfeitures:			
General government .....	2,299	2,462	163
Library .....	182	217	35
Total fines and forfeitures .....	2,481	2,679	198
Interest, rentals and other investment income .....	32,462	34,912	2,450
Federal grants:			
Public safety and regulation .....	75	37	(38)
State grants:			
General government .....	53,853	53,986	133
Public safety and regulation .....	332	252	(80)
Health .....	9,584	9,584	
Library .....	5,034	6,373	1,339
Recreation and culture .....	111	179	68
Total State grants .....	68,914	70,374	1,460
Other grants:			
Library .....	161	161	
Charges for current services:			
General government .....	9,964	10,443	479
Public safety and regulation .....	6,225	6,813	588
Conservation of health .....	151	169	18
Social services .....	500	1,109	609
Fire .....	13	10	(3)
Library .....	47	72	25
Recreation and culture .....	992	742	(250)
Highways, sanitation and waste removal .....	16,422	13,505	(2,917)
Total charges for current services .....	34,314	32,863	(1,451)
Miscellaneous .....	4,795	2,900	(1,895)
Total revenues .....	\$851,371	\$862,505	\$11,134

(Continued)



**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances**  
**and Changes in Fund Balance — Budget and Actual (Budgetary Basis), Continued**  
**General Fund**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Expenditures and encumbrances by agency:			
Community Relations Commission .....	\$ 742	\$ 731	\$ 11
Department of Comptroller .....	4,225	4,195	30
City Council .....	3,616	3,526	90
Office of Financial Review .....	493	492	1
Courts .....	7,644	7,550	94
Supervisors of Elections .....	2,345	2,135	210
Department of Finance .....	12,936	12,936	
Department of Fire .....	97,556	96,079	1,477
Department of Health .....	18,852	18,790	62
Department of Housing and Community Development .....	15,371	15,321	50
Department of Law .....	4,238	4,237	1
Department of Legislative Reference .....	734	734	
Enoch Pratt Free Library .....	18,468	18,086	382
Board of Liquor License Commissioners .....	1,277	1,260	17
Mayoralty and Related Functions .....	121,183	119,155	2,028
Office of Occupational Medicine and Safety .....	599	594	5
Department of Personnel .....	2,096	2,096	
Department of Planning .....	1,181	1,177	4
Department of Police .....	199,049	196,643	2,406
Department of Public Works .....	67,349	67,155	194
Department of Recreation and Parks .....	16,679	16,679	
Office of Sheriff .....	6,319	6,166	153
Office of State's Attorney .....	13,695	13,695	
Wage Commission .....	409	310	99
Department of Municipal and Zoning Appeals .....	349	348	1
Total expenditures and encumbrances .....	617,405	610,090	7,315
Excess of revenues over expenditures and encumbrances .....	233,966	252,415	18,449
Other financing sources (uses):			
Operating transfers in .....	25,673	26,708	1,035
Operating transfers out .....	(90,774)	(89,998)	776
Operating transfers to component unit .....	(197,548)	(197,548)	
Net other financing uses .....	(262,649)	(260,838)	1,811
Deficiency of revenues over expenditures and encumbrances and net other financing uses .....	(28,683)	(8,423)	20,260
Fund balance, July 1, 1998 (budgetary basis) .....	55,727	55,727	
Fund balance, June 30, 1999 (budgetary basis) .....	\$ 27,044	\$ 47,304	\$20,260

This schedule does not include a non-budgetary revenue and expense item in the amount of \$1,339,000 which was paid by the State of Maryland to the Maryland State Retirement System on behalf of the City of Baltimore for employees of the Enoch Pratt Free Library.

**CITY OF BALTIMORE**  
**Combining Balance Sheet**  
**Special Revenue Funds**  
**June 30, 1999**  
(Expressed in Thousands)

	Grants Revenue	Motor Vehicle	Community Development Block Grants	Special Racetrack	Total
<b>ASSETS</b>					
Cash and cash equivalents .....	\$ 75				\$ 75
Other accounts receivable, net .....	5,845	\$ 210			6,055
Due from Federal government .....	51,234		\$14,561		65,795
Due from State of Maryland .....	17,248	28,036		\$393	45,677
Due from other grantors .....	7,549				7,549
Due from other funds .....				99	99
Inventories of supplies and materials .....		912			912
Notes and mortgages receivable, net .....			3,696		3,696
Other assets .....		122			122
Total assets .....	<u>\$81,951</u>	<u>\$29,280</u>	<u>\$18,257</u>	<u>\$492</u>	<u>\$129,980</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities .....	\$19,023	\$ 4,300	\$ 1,315	\$ 12	\$ 24,650
Due to other funds .....	19,827	18,121	12,963	24	50,935
Deferred revenue .....	43,101	210	3,979		47,290
Total liabilities .....	<u>81,951</u>	<u>22,631</u>	<u>18,257</u>	<u>36</u>	<u>122,875</u>
<b>Fund balances:</b>					
Reserved for:					
Encumbrances .....		2,130			2,130
Inventories .....		912			912
Other assets .....		122			122
Unreserved:					
Designated for subsequent year's expenditures .....		2,156		261	2,417
Undesignated .....		1,329		195	1,524
Total fund balances .....		<u>6,649</u>		<u>456</u>	<u>7,105</u>
Total liabilities and fund balances.....	<u>\$81,951</u>	<u>\$29,280</u>	<u>\$18,257</u>	<u>\$492</u>	<u>\$129,980</u>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances (GAAP Basis)**  
**Special Revenue Funds**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Grants Revenue	Motor Vehicle	Community Development Block Grants	Special Racetrack	Total
<b>Revenues:</b>					
State shared revenue .....		\$157,546		\$ 577	\$158,123
Licenses and permits .....		233			233
Fines and forfeitures .....		457			457
Interest and other investment income .....		3,353			3,353
Federal grants .....	\$169,854		\$ 32,066		201,920
State grants .....	49,457				49,457
Other grants .....	11,596				11,596
Charges for current services .....		2,752			2,752
Miscellaneous .....		131			131
<b>Total revenues .....</b>	<b>230,907</b>	<b>164,472</b>	<b>32,066</b>	<b>577</b>	<b>428,022</b>
<b>Expenditures:</b>					
General government .....	47,974	9,205	4,295	20	61,494
Public safety and regulation .....	14,729	30,920	757	39	46,445
Conservation of health .....	121,118				121,118
Social services .....	17,729				17,729
Public library .....	4,039				4,039
Recreation and cultural .....	4,076		542	22	4,640
Highways and streets .....		79,973		10	79,983
Economic development .....	21,242		15,968	68	37,278
<b>Total expenditures .....</b>	<b>230,907</b>	<b>120,098</b>	<b>21,562</b>	<b>159</b>	<b>372,726</b>
<b>Excess of revenues over expenditures .....</b>		<b>44,374</b>	<b>10,504</b>	<b>418</b>	<b>55,296</b>
<b>Other financing uses:</b>					
Operating transfers out .....		(49,075)	(10,504)	(262)	(59,841)
Operating transfers to component units .....		(3,654)			(3,654)
<b>Total other financing uses .....</b>		<b>(52,729)</b>	<b>(10,504)</b>	<b>(262)</b>	<b>(63,495)</b>
<b>Excess (deficiency) of revenues over expenditures and other financing uses .....</b>		<b>(8,355)</b>		<b>156</b>	<b>(8,199)</b>
Fund balances, July 1, 1998 .....		15,004		300	15,304
Fund balances, June 30, 1999 .....		\$ 6,649		\$ 456	\$ 7,105

**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances and Changes in**  
**Fund Balance — Budget and Actual (Budgetary Basis)**  
**Motor Vehicle Fund**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State shared:			
State highway user revenue .....	\$157,730	\$158,466	\$ 736
Overhead reimbursement .....	(1,000)	(920)	80
Total State shared revenues .....	156,730	157,546	816
Licenses and permits .....	275	233	(42)
Fines and forfeitures .....		457	457
Interest and other investment income .....	3,136	3,353	217
Charges for current services:			
Department of Public Works:			
Impounding cars .....	1,740	1,677	(63)
Highways .....	510	1,075	565
Total charges for current services .....	2,250	2,752	502
Miscellaneous .....	8	131	123
Total revenues .....	162,399	164,472	2,073
Expenditures and encumbrances:			
Department of Recreation and Parks .....	2,397	2,397	
Department of Planning .....	782	759	23
Department of Police .....	9,229	9,229	
Department of Public Works .....	101,794	101,785	9
Mayoralty .....	5,788	5,787	1
Total expenditures and encumbrances .....	119,990	119,957	33
Excess of revenues over expenditures and encumbrances .....	42,409	44,515	2,106
Other financing uses:			
Operating transfers out .....	(49,075)	(49,075)	
Operating transfers to component units .....	(3,654)	(3,654)	
Total other financing uses .....	(52,729)	(52,729)	
Deficiency of revenues over expenditures and encumbrances and other financing uses .....	(10,320)	(8,214)	2,106
Fund balance, July 1, 1998 (budgetary basis) .....	13,083	13,083	
Fund balance, June 30, 1999 (budgetary basis) .....	\$ 2,763	\$ 4,869	\$2,106

**CITY OF BALTIMORE**  
**Schedule of Revenues, Expenditures and Encumbrances and Changes in**  
**Fund Balance — Budget and Actual (Budgetary Basis)**  
**Special Racetrack Fund**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State-shared:			
Racetrack fees .....	\$ 415	\$ 577	\$162
Total revenues .....	415	577	162
Expenditures and encumbrances:			
Department of Public Works .....	30	30	
Department of Recreation and Parks .....	16	21	(5)
Department of Housing and Community Development .....	68	68	
Department of Police .....	22	22	
Department of Transportation .....	17	17	
Total expenditures and encumbrances .....	153	158	(5)
Excess of revenues over expenditures and encumbrances .....	262	419	157
Other financing uses:			
Operating transfers out .....	(262)	(262)	
Excess of revenues over expenditures and encumbrances and other financing uses .....		157	157
Fund balance, July 1, 1998 (budgetary basis) .....	296	296	
Fund balance, June 30, 1999 (budgetary basis) .....	\$ 296	\$ 453	\$157

**CITY OF BALTIMORE**  
**Combining Balance Sheet**  
**Enterprise Funds**  
**June 30, 1999**

(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
<b>ASSETS</b>						
Cash and cash equivalents .....	\$ 8,656	\$ 20,169	\$ 8,903	\$ 19,025	\$55,135	\$ 111,888
Investments .....				382		382
Accounts receivable, net						
Utility services .....	10,720	11,250				21,970
Other .....			143		534	677
Unbilled accounts receivable .....	12,268	10,078		934		23,280
Inventories .....	3,313	115				3,428
Notes and mortgages receivable, net .....			47,285	5,616		52,901
Restricted assets: cash, investments, loans and accounts receivable:						
Future capital expenditures .....	28,861	17,702	6,512			53,075
Revenue bond and note debt service account .....	18,686	11,241	12,077			42,004
Revenue bond and note contingency account .....	2,167	2,910	1,009			6,086
Property, plant and equipment, net .....	373,157	815,201	68,557			1,256,915
Issuance costs .....	4,580	2,670	2,246		586	10,082
Other assets .....				273		273
Total assets .....	<u>\$462,408</u>	<u>\$891,336</u>	<u>\$146,732</u>	<u>\$ 26,230</u>	<u>\$56,255</u>	<u>\$1,582,961</u>
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities .....	\$ 2,160	\$ 4,624	\$ 486			\$ 7,270
Accrued interest payable .....	4,427	3,117	3,602	\$ 81	\$ 310	11,537
Deposits subject to refund .....	9					9
Due to other funds .....	948	4,488	5,263		18,179	28,878
Due to other governments .....	1,250					1,250
Accounts payable from restricted assets .....	5,523	7,770				13,293
Notes payable .....				273		273
Revenue bonds payable, net .....	178,037	142,218	120,546		26,574	467,375
Deferred revenue .....				750		750
Other liabilities .....	3,070	4,034		5,822		12,926
General long-term debt payable .....	2,729	3,322				6,051
Total liabilities .....	<u>198,153</u>	<u>169,573</u>	<u>129,897</u>	<u>6,926</u>	<u>45,063</u>	<u>549,612</u>
<b>Equity:</b>						
Contributed capital .....	181,764	665,443	592	51,939		899,738
Retained earnings:						
Reserved for:						
Revenue bond retirements .....	20,853	14,151	13,086			48,090
Unreserved (deficit) .....	61,638	42,169	3,157	(32,635)	11,192	85,521
Total equity .....	<u>264,255</u>	<u>721,763</u>	<u>16,835</u>	<u>19,304</u>	<u>11,192</u>	<u>1,033,349</u>
Total liabilities and equity .....	<u>\$462,408</u>	<u>\$891,336</u>	<u>\$146,732</u>	<u>\$ 26,230</u>	<u>\$56,255</u>	<u>\$1,582,961</u>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses and Changes in Equity**  
**Enterprise Funds**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Operating revenues:						
Water and sewer service .....	\$ 72,949	\$105,718				\$ 178,667
Rents, fees and other income .....			\$ 41,248	\$ 308	\$ 1,951	43,507
Interest and investment income .....				932	2,693	3,625
Total operating revenues .....	72,949	105,718	41,248	1,240	4,644	225,799
Operating expenses:						
Salaries and wages .....	25,546	29,876		107		55,529
Other personnel costs .....	7,401	8,875		25		16,301
Contractual services .....	17,291	40,483	3,703			61,477
Materials and supplies .....	5,428	6,386				11,814
Minor equipment .....	1,120	771				1,891
General government overhead .....	3,536	5,160				8,696
Bad debts .....	458	799				1,257
Depreciation .....	7,389	11,768	1,070			20,227
Program expenses .....				3,088	374	3,462
Amortization of bond issuance costs .....	180	108	106		34	428
Interest .....					3,285	3,285
Total operating expenses .....	68,349	104,226	4,879	3,220	3,693	184,367
Operating income (loss) .....	4,600	1,492	36,369	(1,980)	951	41,432
Non-operating revenues (expenses):						
Loss on sale of investments .....	(16)	(10)	(15)			(41)
Interest income (expense) .....	(927)	944	(6,454)			(6,437)
Net non-operating revenues (expenses) .....	(943)	934	(6,469)			(6,478)
Income (loss) before operating transfers .....	3,657	2,426	29,900	(1,980)	951	34,954
Operating transfers out .....			(26,708)			(26,708)
Net income (loss) .....	3,657	2,426	3,192	(1,980)	951	8,246
Add depreciation on fixed assets acquired by contributed capital .....	1,351	6,338				7,689
Increase (decrease) in retained earnings .....	5,008	8,764	3,192	(1,980)	951	15,935
Retained earnings (deficit) — July 1, 1998 .....	77,483	47,556	13,051	(30,655)	10,241	117,676
Retained earnings (deficit) — June 30, 1999 .....	82,491	56,320	16,243	(32,635)	11,192	133,611
Contributed capital — July 1, 1998 .....	170,493	654,381	592	56,171		881,637
Additions (decreases), net .....	12,622	17,400		(4,232)		25,790
Less depreciation on fixed assets acquired by contributed capital .....	(1,351)	(6,338)				(7,689)
Contributed capital — June 30, 1999 .....	181,764	665,443	592	51,939		899,738
Total equity — June 30, 1999 .....	\$264,255	\$721,763	\$ 16,835	\$ 19,304	\$11,192	\$1,033,349

**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Enterprise Funds**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Water Utility	Waste Water Utility	Parking Facilities	Loan and Guarantee Program	Industrial Development Authority	Total
Cash flows from operating activities:						
Net operating income (loss).....	\$ 4,600	\$ 1,492	\$ 36,369	\$ (1,980)	\$ 951	\$ 41,432
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:						
Depreciation.....	7,389	11,768	1,070			20,227
Amortization of bond issuance costs.....	180	108	106		34	428
Mortgage receivable principal repayments.....			1,266			1,266
Decrease in notes receivable.....				8,095		8,095
(Increase) decrease in accounts receivable.....	(729)	2,287	339	329	(1)	2,225
(Increase) decrease in inventories.....	(646)	49				(597)
Decrease in other assets.....				114		114
Increase (decrease) in accounts payable and accrued liabilities.....	(80)	142	200			262
Increase (decrease) in other liabilities.....	118	348		(5,841)		(5,375)
(Decrease) in deferred revenue.....				(73)		(73)
Increase (decrease) in accrued interest payable.....	595	526	(108)		(73)	940
(Decrease) in notes payable.....				(41)		(41)
(Decrease) in due to other governments.....	(451)					(451)
Increase (decrease) in due to other funds.....	(20)	(11,232)	5,263		4,069	(1,920)
Net cash provided by operating activities.....	10,956	5,488	44,505	603	4,980	66,532
Cash flows from non-capital financing activities –						
Operating transfers out.....			(26,708)			(26,708)
Cash flows from capital and related financing activities:						
Proceeds from sale of bonds, net.....	12,008	9,017				21,025
Acquisition and construction of capital assets.....	(43,227)	(45,638)	(9,858)			(98,723)
Changes in restricted assets.....	1,074	9,155	7,090			17,319
Changes in restricted accounts payable.....	1,871	166	(139)			1,898
Principal paid on revenue bonds.....	(2,465)	(2,830)	(2,835)		(15,577)	(23,707)
Principal paid on bonds.....	(681)	(452)				(1,133)
Interest paid.....	(3,447)	(375)	(5,649)			(9,471)
Capital contributions.....	12,622	17,400		(4,232)		25,790
Net cash used by capital and related financing activities.....	(22,245)	(13,557)	(11,391)	(4,232)	(15,577)	(67,002)
Cash flows from investing activities:						
Proceeds (loss) from sale and maturities of mortgages and investment securities.....			(15)	985		970
Purchase of investments.....	(16)	(13)				(29)
Interest on investments.....	2,528	1,336				3,864
Net cash provided (used) by investing activities.....	2,512	1,323	(15)	985		4,805
Net increase (decrease) in cash and cash equivalents.....	(8,777)	(6,746)	6,391	(2,644)	(10,597)	(22,373)
Cash and cash equivalents, July 1, 1998.....	41,189	36,807	17,728	21,669	65,732	183,125
Cash and cash equivalents, June 30, 1999.....	\$ 32,412	\$ 30,061	\$ 24,119	\$ 19,025	\$ 55,135	\$ 160,752



**CITY OF BALTIMORE**  
**Combining Balance Sheet**  
**Internal Service Funds**  
**June 30, 1999**

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
<b>ASSETS</b>								
Cash and cash equivalents .....	\$31,026		\$ 51		\$1,355		\$ 60,801	\$ 93,233
Investments .....							10,530	10,530
Accounts receivable, net:								
Other .....	332	\$ 1			12		1,800	2,145
Inventories .....	69	60	10		113			252
Property, plant and equipment, net .....	44,670	112	28	\$ 48		\$ 103	709	45,670
Other .....							235	235
Total assets .....	<u>\$76,097</u>	<u>\$ 173</u>	<u>\$ 89</u>	<u>\$ 48</u>	<u>\$1,480</u>	<u>\$ 103</u>	<u>\$ 74,075</u>	<u>\$152,065</u>
<b>LIABILITIES AND EQUITY</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities .....	\$ 2,085	\$ 82	\$ 15	\$ 574	\$ 12	\$ 334	\$ 1,228	\$ 4,330
Due to other funds .....		99		478		2,511		3,088
Estimated liability for claims in progress .....							97,616	97,616
Other liabilities .....	1,846	125	51	44	14	1,611	459	4,150
Total liabilities .....	<u>3,931</u>	<u>306</u>	<u>66</u>	<u>1,096</u>	<u>26</u>	<u>4,456</u>	<u>99,303</u>	<u>109,184</u>
<b>Equity:</b>								
Contributed capital .....	57,620	147	37	32				57,836
<b>Retained earnings:</b>								
Unreserved (deficit) .....	14,546	(280)	(14)	(1,080)	1,454	(4,353)	(25,228)	(14,955)
Total equity (deficit) .....	<u>72,166</u>	<u>(133)</u>	<u>23</u>	<u>(1,048)</u>	<u>1,454</u>	<u>(4,353)</u>	<u>(25,228)</u>	<u>42,881</u>
Total liabilities and equity .....	<u>\$76,097</u>	<u>\$ 173</u>	<u>\$ 89</u>	<u>\$ 48</u>	<u>\$1,480</u>	<u>\$ 103</u>	<u>\$ 74,075</u>	<u>\$152,065</u>

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses and Changes in Equity**  
**Internal Service Funds**  
**for the year ended June 30, 1999**

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
Operating revenue –								
Charges for services .....	\$43,730	\$2,379	\$950	\$10,128	\$ 497	\$ 7,085	\$204,493	\$269,262
Operating expenses:								
Salaries and wages .....	10,002	834	278	548	186	6,123	2,798	20,769
Other personnel costs .....	2,944	251	90	176	54	1,701	650	5,866
Contractual services .....	7,191	526	27	10,143	156	567	4,256	22,866
Materials and supplies .....	8,183	629	1	4	43	49	15	8,924
Minor equipment .....	226	32		7		10	44	319
Claims paid and incurred .....							203,055	203,055
Postage and delivery service .....			561					561
Depreciation .....	8,426	36	8	17		32	124	8,643
Total operating expenses .....	36,972	2,308	965	10,895	439	8,482	210,942	271,003
Operating income (loss) .....	6,758	71	(15)	(767)	58	(1,397)	(6,449)	(1,741)
Non-operating revenue (expenses):								
Investment income .....							2,028	2,028
Loss on sale of property .....	(661)							(661)
Total non-operating revenues (expenses) .....	(661)						2,028	1,367
Net income (loss) .....	6,097	71	(15)	(767)	58	(1,397)	(4,421)	(374)
Retained earnings (deficit) –								
July 1, 1998 .....	8,449	(351)	1	(313)	1,396	(2,956)	(20,807)	(14,581)
Retained earnings (deficit) –								
June 30, 1999 .....	14,546	(280)	(14)	(1,080)	1,454	(4,353)	(25,228)	(14,955)
Contributed capital –								
July 1, 1998 .....	55,631	147	37	32				55,847
Additions, net .....	1,989							1,989
Contributed capital –								
June 30, 1999 .....	57,620	147	37	32				57,836
Total equity (deficit) –								
June 30, 1999 .....	\$72,166	\$ (133)	\$ 23	\$ (1,048)	\$1,454	\$ (4,353)	\$ (25,228)	\$ 42,881

**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**for the year ended June 30, 1999**

(Expressed in Thousands)

	Mobile Equipment	Reproduction and Printing	Municipal Post Office	Municipal Telephone Exchange	Electronic Equipment Maintenance	Construction Management and Inspection	Risk Management	Total
Cash flows from operating activities:								
Net operating income (loss) .....	\$ 6,758	\$ 71	\$(15)	\$(767)	\$ 58	\$(1,397)	\$(6,449)	\$(1,741)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:								
Depreciation .....	8,426	36	8	17		32	123	8,642
Decrease in accounts receivable .....	10	33	12		2		651	708
Decrease in inventories .....	15	41	4		1			61
Decrease in other assets .....							31	31
Increase in accounts payable and accrued liabilities .....	263	9	5	5	3	1	499	785
Increase (decrease) in due to other funds ..		(139)		478		1,152		1,491
Increase in estimated liability for claims in progress .....							7,381	7,381
Increase (decrease) in other liabilities .....	128	1	4	(1)	1	240	47	420
Net cash provided (used) by operating activities .....	15,600	52	18	(268)	65	28	2,283	17,778
Cash flows from capital and related financing activities:								
Acquisition and construction of capital assets .	(7,436)	(52)				(28)	(383)	(7,899)
Loss on disposition of equipment.....	(661)							(661)
Capital contributions .....	1,989							1,989
Net cash used by capital and related financing activities .....	(6,108)	(52)				(28)	(383)	(6,571)
Cash flows from investing activities:								
Proceeds from sale and maturities of investments .....							3,678	3,678
Purchase of investment securities .....							(16)	(16)
Interest on investments .....							2,895	2,895
Net cash provided by investing activities .....							6,557	6,557
Net increase (decrease) in cash and cash equivalents .....	9,492		18	(268)	65		8,457	17,764
Cash and cash equivalents, July 1, 1998.....	21,534		33	268	1,290		52,344	75,469
Cash and cash equivalents, June 30, 1999 .....	\$31,026		\$ 51		\$1,355		\$60,801	\$93,233

**CITY OF BALTIMORE**  
**Combining Balance Sheet**  
**Trust and Agency Funds**  
**June 30, 1999**

(Expressed in Thousands)

	Expendable Trust Fund	Nonexpendable Trust Funds			Agency Funds						
	Scholarship	Enoch Pratt Free Library	Memorials	Total Pension Trust Funds	Unpresented Stock and Coupon Bonds	Property Sold for Taxes	Bid Deposit Refunds	Waxter Center Accessary	Waterloo Summit	Recreation Accessary	Total
<b>ASSETS</b>											
Cash and cash equivalents .....	\$5,412	\$ 14	\$1,190	\$ 146,318	\$57	\$571	\$73	\$13		\$662	\$ 154,310
Investments .....	287	1,825	2,384	3,484,907					\$47		3,489,450
Other assets, principally accrued interest receivable .....	5	27	22	41,885							41,939
Total assets .....	\$5,704	\$1,866	\$3,596	\$3,673,110	\$57	\$571	\$73	\$13	\$47	\$662	\$3,685,699
<b>LIABILITIES AND FUND BALANCE</b>											
Liabilities:											
Accounts payable and accrued liabilities .....				\$ 93,416	\$57	\$571	\$73	\$13	\$47	\$662	\$ 94,839
Pension benefits payable .....				21,318							21,318
Total liabilities .....				114,734	57	571	73	13	47	662	116,157
Fund balance:											
Reserved for:											
Pension benefits .....				3,558,376							3,558,376
Library services .....		\$1,866									1,866
Scholarships and memorials .....	\$5,704		\$3,596								9,300
Total fund balance .....	5,704	1,866	3,596	3,558,376							3,569,542
Total liabilities and fund balance .....	\$5,704	\$1,866	\$3,596	\$3,673,110	\$57	\$571	\$73	\$13	\$47	\$662	\$3,685,699

**CITY OF BALTIMORE**  
**Combining Statement of Plan Net Assets**  
**Pension Trust Funds**  
**June 30, 1999**  
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Retirement System	Total
<b>ASSETS</b>				
Cash and cash equivalents .....	\$ 70,989	\$ 43	\$ 75,286	\$ 146,318
Investments .....	1,291,146	13,839	2,179,922	3,484,907
Other assets, principally accrued interest receivable .....	12,588	1	29,296	41,885
Total assets .....	1,374,723	13,883	2,284,504	3,673,110
<b>LIABILITIES</b>				
Accounts payable .....	44,006	6	49,404	93,416
Pension benefits payable .....	1,247	16	20,055	21,318
Total liabilities .....	45,253	22	69,459	114,734
Net assets held in trust for pension benefits, June 30, 1999 .....	\$1,329,470	\$13,861	\$2,215,045	\$3,558,376

**CITY OF BALTIMORE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Expendable Trust Fund**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Scholarship
<b>Revenues:</b>	
Interest and other investment income .....	\$ 155
Contributions .....	3,091
Total revenues .....	3,246
<b>Expenditures:</b>	
Total expenditures — education .....	350
Excess of revenues over expenditures .....	2,896
Fund balance, July 1, 1998 .....	2,808
Fund balance, June 30, 1999 .....	\$5,704

**CITY OF BALTIMORE**  
**Combining Statement of Revenues, Expenses and Changes in Fund Balance**  
**Nonexpendable Trust Funds**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Enoch Pratt Free Library	Memorials	Total
Revenues:			
Interest and other investment income .....	\$ 100	\$ 246	\$ 346
Total revenues .....	100	246	346
Expenses:			
Claims, awards and benefits .....	161	99	260
Net income (loss) .....	(61)	147	86
Fund balance, July 1, 1998 .....	1,927	3,449	5,376
Fund balance, June 30, 1999 .....	\$1,866	\$3,596	\$5,462

**CITY OF BALTIMORE**  
**Combining Statement of Cash Flows**  
**Nonexpendable Trust Funds**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Enoch Pratt Free Library	Memorials	Total
Cash flows from operating activities:			
Net income (loss) .....	\$ (61)	\$ 147	\$ 86
Adjustments to reconcile net income (loss) to net cash used by operating activities:			
Interest and other investment income .....	(100)	(246)	(346)
(Increase) in other assets .....		(1)	(1)
Net cash used by operating activities .....	(161)	(100)	(261)
Cash flows from investing activities:			
Sale of investments .....	(92)	(170)	(262)
Interest and other investment income .....	100	246	346
Net cash provided by investing activities .....	8	76	84
Net decrease in cash and cash equivalents .....	(153)	(24)	(177)
Cash and cash equivalents, July 1, 1998 .....	167	1,214	1,381
Cash and cash equivalents, June 30, 1999 .....	\$ 14	\$1,190	\$1,204

**CITY OF BALTIMORE**  
**Combining Statement of Changes in Plan Net Assets**  
**Pension Trust Funds**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Employees' Retirement System	Elected Officials' Retirement System	Fire and Police Retirement System	Total
Additions:				
Contributions:				
Employer .....	\$ 19,710	\$ 217	\$ 268	\$ 20,195
Employee .....	341	52	8,382	8,775
Investment income:				
Net appreciation in fair market value of investments .....	7,884	1,337	95,595	104,816
Interest and dividend income .....	89,623	406	104,848	194,877
Total additions .....	117,558	2,012	209,093	328,663
Deductions:				
Retirement allowances .....	71,247	348	124,617	196,212
Death benefits .....	1,240		426	1,666
Administrative expense .....	1,214	14	1,476	2,704
Other .....	396		877	1,273
Total deductions .....	74,097	362	127,396	201,855
Net increase .....	43,461	1,650	81,697	126,808
Net assets held in trust for pension benefits:				
July 1, 1998 .....	1,286,009	12,211	2,133,348	3,431,568
June 30, 1999 .....	\$1,329,470	\$13,861	\$2,215,045	\$3,558,376

**CITY OF BALTIMORE**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**for the year ended June 30, 1999**  
(Expressed in Thousands)

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
<u>Unpresented Stock and Coupon Bonds</u>				
Assets:				
Cash .....	\$ 57			\$ 57
Total assets .....	57			57
Liabilities:				
Accounts payable and accrued liabilities .....	45			45
Other .....	12			12
Total liabilities .....	57			57
<u>Property Sold for Taxes</u>				
Assets:				
Cash .....	560	\$11		571
Total assets .....	560	11		571
Liabilities:				
Other .....	560	11		571
Total liabilities .....	560	11		571
<u>Bid Deposit Refunds</u>				
Assets:				
Cash .....	32	128	\$87	73
Total assets .....	32	128	87	73
Liabilities:				
Other .....	32	128	87	73
Total liabilities .....	32	128	87	73
<u>Waxter Center Accessary</u>				
Assets:				
Cash .....	13			13
Total assets .....	13			13
Liabilities:				
Other .....	13			13
Total liabilities .....	13			13
<u>Waterloo Summit</u>				
Assets:				
Investments .....	66		19	47
Total assets .....	66		19	47
Liabilities:				
Other .....	66		19	47
Total liabilities .....	66		19	47
<u>Recreation Accessary</u>				
Assets:				
Cash .....	570	1,385	1,293	662
Total assets .....	570	1,385	1,293	662
Liabilities:				
Other .....	570	1,385	1,293	662
Total liabilities .....	570	1,385	1,293	662
<u>Total-All Agency Funds</u>				
Assets:				
Cash .....	1,232	1,524	1,380	1,376
Investments .....	66		19	47
Total assets .....	1,298	1,524	1,399	1,423
Liabilities:				
Accounts payable and accrued liabilities .....	45			45
Other .....	1,253	1,524	1,399	1,378
Total liabilities .....	\$1,298	\$1,524	\$1,399	\$1,423



***STATISTICAL  
SECTION***

**CITY OF BALTIMORE**  
**General Governmental Revenues by Source (GAAP Basis)**  
**Last Ten Fiscal Years (1)**

(Expressed in Thousands)

**Unaudited**

Fiscal Year	State Shared Revenue and Taxes	Licenses and Permits	Federal, State and Other Grants (2)	Charges for Services	Fines and Forfeitures	Interest, Rental and Other Investment Income	Miscellaneous	Total
1990	\$770,480	\$12,786	\$602,593	\$30,410	\$3,758	\$45,509	\$25,177	\$1,490,713
1991	783,628	14,010	662,819	31,580	5,046	47,415	5,561	1,550,059
1992	778,647	14,844	625,477	33,704	4,795	46,867	3,517	1,507,851
1993	806,534	15,149	653,700	39,170	5,463	42,527	5,177	1,567,720
1994	824,907	15,569	740,932	42,727	2,657	41,981	20,125	1,688,898
1995	828,484	17,575	787,550	33,661	2,225	51,692	7,496	1,728,683
1996	828,756	16,636	852,279	33,065	2,218	55,480	33,052	1,821,486
1997	855,103	17,744	919,106	32,915	2,287	47,410	8,179	1,882,744
1998	837,392	18,265	324,877	34,191	2,219	54,249	21,296	1,292,489
1999	858,748	18,187	345,718	35,615	3,136	56,745	28,240	1,346,389

Notes:

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(2) Effective 7/1/97, state grants for the New Baltimore City Board of School Commissioners are shown as a discretely presented component unit.

**CITY OF BALTIMORE**  
**General Governmental Expenditures by Function (GAAP Basis)**  
**Last Ten Fiscal Years (1)**

(Expressed in Thousands)

**Unaudited**

Fiscal Year	General Government	Public Safety	Corrections	Highways and Streets	Sanitation	Public Library	Conservation of Health	Social Services	Recreation and Culture	Economic Development	Education (2)	Public Service	Debt Service	Capital Expenditures	Total
1990	\$159,592	\$274,887	\$37,864	\$40,169	\$58,300	\$15,690	\$105,086	\$10,065	\$43,034	\$ 69,222	\$471,937	\$8,074	\$ 72,902	\$171,486	\$1,538,308
1991	169,863	291,560	39,582	41,321	58,008	16,941	123,366	10,423	42,729	72,522	511,303	8,259	75,549	165,881	1,627,307
1992	170,528	292,415	4,752	39,841	53,717	15,940	123,196	12,028	42,139	58,620	542,136	8,504	90,502	162,292	1,616,610
1993	168,313	299,704		43,927	54,378	16,416	134,655	13,536	38,448	76,270	560,578	8,979	102,615	105,189	1,623,008
1994	174,798	310,604		44,362	62,017	18,139	152,560	12,910	40,634	113,328	626,293	8,955	99,697	94,285	1,758,582
1995	178,597	320,873		43,888	60,681	18,701	173,231	14,628	41,907	105,681	637,729	8,377	129,341	124,682	1,858,316
1996	196,103	331,597		86,570	33,267	20,996	166,160	17,048	42,082	88,260	704,324	6,925	57,657	153,531	1,904,520
1997	197,620	319,234		79,504	31,839	21,770	180,654	19,026	41,138	74,817	744,639	9,049	44,486	162,534	1,926,310
1998	224,773	347,333		96,910	31,224	22,313	145,165	18,438	39,175	56,496	1,080	9,609	55,476	171,249	1,219,241
1999	239,389	346,758		84,361	31,040	24,173	143,482	18,737	27,267	88,221	776	9,798	57,936	162,408	1,234,346

Notes:

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds.

(2) Effective 7/1/97, education expenditures are reported as a discretely presented component unit.

**CITY OF BALTIMORE**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Current and Prior Years' Adjustments	Outstanding Delinquent Taxes (a)	Percent of Delinquent Taxes to Tax Levy
1990	\$448,426	\$433,163	96.6%	\$5,647	\$438,810	97.9%	\$ (5,788)	\$16,878	3.8%
1991	458,041	448,749	98.0	7,159	455,908	99.5	(3,310)	15,701	3.4
1992	477,796	461,228	96.5	3,284	464,512	97.2	(11,636)	17,349	3.6
1993	486,949	469,004	96.3	6,622	475,626	97.7	(9,605)	19,067	3.9
1994	485,291	471,864	97.2	4,629	476,493	98.2	(13,942)	13,923	2.9
1995	481,529	469,075	97.4	3,336	472,411	98.1	(10,581)	12,460	2.6
1996	482,014	463,887	96.2	526	464,413	96.3	(11,861)	18,200	3.8
1997	483,009	466,782	96.6	7,043	473,825	98.1	(11,158)	16,226	3.4
1998	475,125	461,022	97.0	9,238	470,260	99.0	7,022	14,069	3.0
1999	483,042	467,651	96.8	9,606	477,257	98.8	4,489	15,365	3.2

Note:

- (a) Excludes State portion of delinquent property taxes, which at June 30, 1999 totaled \$330,000. This column is net of additions, abatements and provision for doubtful accounts.

**CITY OF BALTIMORE**  
**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1990	\$6,394,618	\$14,529,856	\$1,186,538	\$1,186,538	\$7,581,156	\$15,716,394	48.2%
1991	6,540,390	15,476,647	1,172,207	1,172,207	7,712,597	16,648,854	46.3
1992	6,743,056	16,304,564	1,375,767	1,375,767	8,118,823	17,680,331	45.9
1993	6,909,633	16,688,960	1,375,816	1,375,816	8,285,449	18,064,776	45.9
1994	6,919,889	17,080,579	1,312,421	1,312,421	8,232,310	18,393,000	44.8
1995	6,878,428	16,941,298	1,361,857	1,361,857	8,240,285	18,303,155	45.0
1996	6,867,382	16,782,536	1,382,719	1,382,719	8,250,101	18,165,255	45.4
1997	6,864,457	16,695,103	1,416,870	1,416,870	8,281,327	18,111,973	45.7
1998	6,820,914	16,574,901	1,305,973	1,305,973	8,126,887	17,880,874	45.5
1999	6,828,724	16,638,885	1,482,570	1,482,570	8,311,294	18,121,455	45.9

Note:

Assessed values are established by the Maryland State Department of Assessments on July 1 of each year. Each real property's assessment is reevaluated every three years.

**CITY OF BALTIMORE**

**Property Tax Rates**

**Last Ten Fiscal Years (1)**

**Unaudited**

	Fiscal Year	City Tax Rate	State Tax Rate(2)	Total(3)
	1990	\$5.95	\$.21	\$6.16
	1991	5.95	.21	6.16
	1992	5.90	.21	6.11
	1993	5.90	.21	6.11
	1994	5.90	.21	6.11
	1995	5.85	.21	6.06
	1996	5.85	.21	6.06
	1997	5.85	.21	6.06
	1998	5.85	.21	6.06
	1999	5.82	.21	6.03

Notes:

(1) Tax rates are for each \$100 of assessed valuation.

(2) The State tax rate is shown for informational purposes only, since the City acts in the role of collector and does not report this portion of the property tax as revenue.

(3) The City has no special assessments.

**CITY OF BALTIMORE**

**Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Expenditures  
Last Ten Fiscal Years (2)**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures (1)	Ratio of Total Debt Service to Total General Expenditures (2)
1990	\$37,674(3)	\$30,796(4)	\$68,470	\$1,349,457	5.1%
1991	44,752	29,067(5)	73,819	1,446,676	5.1
1992	51,798(6)	29,575(7)	81,373	1,446,527	5.6
1993	64,485(8)	29,166(9)	93,651	1,502,556	6.2
1994	59,334(10)	29,751(11)	89,085	1,618,273	5.5
1995	47,464(12)	27,807(13)	75,271	1,693,767	4.4
1996	24,019(14)	29,481(15)	53,500	1,725,382	3.1
1997	13,618(16)	26,997(17)	40,615	1,739,062	2.3
1998	19,376(18)	31,460(19)	50,836	1,031,090	4.9
1999	26,936(20)	28,478(21)	55,414	1,049,381	5.3

Notes:

(1) Includes General, Special Revenue and Debt Service Funds.

(2) The City has no legal debt margin, however, all bond issues must be approved by the State Legislature. The City has no overlapping debt.

(3) Excludes \$2,575,000 in federal loans.

(4) Excludes \$1,801,000 in federal loans.

(5) Excludes \$1,699,000 in federal loans.

(6) Excludes \$6,616,000 in federal loans.

(7) Excludes \$2,159,000 in federal loans.

(8) Excludes \$7,010,000 in federal loans.

(9) Excludes \$1,863,000 in federal loans.

(10) Excludes \$7,390,000 in federal loans.

(11) Excludes \$1,256,000 in federal loans.

(12) Excludes \$3,390,000 in federal loans.

(13) Excludes \$890,000 in federal loans.

(14) Excludes \$3,315,000 in federal loans.

(15) Excludes \$842,000 in federal loans.

(16) Excludes \$3,376,000 in federal loans.

(17) Excludes \$495,000 in federal loans.

(18) Excludes \$3,721,000 in federal loans.

(19) Excludes \$919,000 in federal loans.

(20) Excludes \$1,240,000 in federal loans.

(21) Excludes \$829,000 in federal loans.

**CITY OF BALTIMORE**  
**Ratio of Net General Bonded Debt to Assessed Value**  
**and Net General Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Deduct Other Self-Supporting Debt	Funds Available In Debt Service Fund	Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita (Rounded to nearest dollar)
1990	736,014	\$7,581,156	\$365,062	\$58,263(1)	\$19,817	\$286,982	3.8%	\$390
1991	733,800	7,712,597	374,997	50,346	24,077	300,574	3.9	410
1992	730,300	8,118,823	392,462	50,750	28,787	312,925	3.9	428
1993	723,500	8,285,449	407,190	50,406	29,356	327,428	4.0	453
1994	709,200	8,232,310	392,840	45,190	21,388	326,262	4.0	460
1995	700,000	8,240,285	390,814	44,712	39,250	306,852	3.7	438
1996	683,300	8,250,101	416,293	43,826	34,926	337,541	4.1	494
1997	669,900	8,281,327	441,435	41,991	36,485	362,959	4.4	542
1998	650,900	8,126,887	457,039	39,097	30,379	387,563	4.8	595
1999	631,500	8,311,294	474,068	36,487	25,369	412,212	5.0	653

Note:

Composition of other self-supporting debt at June 30, 1999 was:

Off-street parking facilities general obligation bonds and notes (portion reimbursable by private operators) .....	\$31,216
Water utility general obligation bonds .....	2,729
Waste water utility general obligation bonds .....	<u>2,542</u>
Total .....	<u>\$36,487</u>

(1) During 1990, the City changed its method of calculating the self-supporting debt. This change has the effect of decreasing other self-supporting debt and increasing general bonded debt.

**CITY OF BALTIMORE**  
**Revenue Bond Coverage**  
**Water Utility, Waste Water Utility,**  
**Parking Facilities and Convention Center Bonds**  
**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

	Fiscal Year	Gross Revenue	Direct Operating Expense(1)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
Water Utility	1990	\$ 51,821	\$41,785	\$10,036	\$ 300	\$ 796	\$ 1,096	9.16
	1991	51,807	43,450	8,357		3,422	3,422	2.44
	1992	54,951	45,196	9,755		3,779	3,779	2.58
	1993	56,679	44,520	12,159		4,786	4,786	2.54
	1994	75,734	48,842	26,892		4,041	4,041	6.65
	1995	61,475	49,149	12,326	655	5,427	6,082	2.03
	1996	64,067	52,357	11,710	1,505	5,385	6,890	1.70
	1997	69,640	55,293	14,347	1,705	6,459	8,164	1.76
	1998	68,707	58,000	10,707	2,370(1)	7,509(1)	9,879	1.08
	1999	72,949	60,780	12,169	2,465	8,245	10,710	1.13
Waste Water Utility	1990	77,015	75,280	1,735	345	810	1,155	1.50
	1991	71,252	70,284	968		1,005	1,005	.96
	1992	76,416	69,623	6,793		1,267	1,267	5.36
	1993	88,043	67,519	20,524		1,903	1,903	10.79
	1994	89,988	74,804	15,184		1,954	1,954	7.77
	1995	87,064	80,627	6,437	3,167	3,172	6,339	1.02
	1996	91,466	82,095	9,371	2,094	3,594	5,688	1.65
	1997	100,405	88,060	12,345	2,112	4,180	6,292	1.96
	1998	103,643	88,933	14,710	2,632	5,010(1)	7,642	1.92
	1999	105,718	92,350	13,368	2,830	5,851	8,681	1.54
Parking Facilities	1990	30,394	1,908	28,486	1,380	6,242	7,622	3.74
	1991	30,435	2,054	28,381	1,435	4,911	6,346	4.47
	1992	35,154	2,866	32,288	1,495	6,571	8,066	4.00
	1993	35,686	2,207	33,479	1,575	7,883	9,458	3.54
	1994	33,429	3,536	29,893		4,667	4,667	6.41
	1995	33,741	2,563	31,178	275	7,295	7,570	4.12
	1996	33,361	3,033	30,328	2,085	6,720	8,805	3.44
	1997	37,382	3,715	33,667	2,620	10,289	12,909	2.61
	1998	37,283	3,721	33,562	2,725	6,122	8,847	3.79
	1999	41,248	3,703	37,545	2,835	7,313	10,148	3.70
Convention Center(2)	1995	8,721		8,721		1,904	1,904	4.58
	1996	9,591		9,591		3,265	3,265	2.94
	1997	11,059		11,059		3,265	3,265	3.39
	1998	3,654		3,654		3,265	3,265	1.12
	1999	3,861		3,861		2,429	2,429	1.59

Notes:

(1) Operating expenses — excluding depreciation and amortization.

(2) Bonds issued during fiscal year 1995.

**CITY OF BALTIMORE**  
**Computation of Overlapping Debt**  
**June 30, 1999**  
**Unaudited**

The City of Baltimore has no Overlapping Debt.

**CITY OF BALTIMORE**  
**Real Property Value, Construction Permits and Bank Deposits Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Unaudited**

Fiscal Year	Commercial Construction (3)		Residential Construction (3)		Real Property Value (2)			Commercial Bank Deposits (5)
	Number of Permits	Value (1)	Number of Units	Value	Commercial	Residential	Exempt	
1990	2,524	\$290,708	304	\$23,289	\$6,114,452	\$ 8,415,404	\$5,937,985	\$11,592,752
1991	2,820	281,856	604	40,594	6,547,311	8,929,336	6,378,703	11,524,141
1992	2,419	215,277	208	10,086	6,698,397	9,606,167	6,662,506	9,663,868
1993	966(4)	211,162	156	6,704	6,959,775	9,729,185	6,984,155	8,204,950
1994	1,015	128,089	304	15,276	7,218,642	9,861,937	7,080,398	7,584,447
1995	1,201	223,963	300	17,167	6,868,865	10,072,433	7,416,788	7,305,798
1996	1,472	563,801	310	29,593	6,527,246	10,255,289	8,326,719	6,442,122
1997	1,045	301,210	179	15,563	6,833,124	10,485,062	7,510,520	7,024,263
1998	1,153	532,405	171	19,158	6,756,076	10,853,717	7,537,284	8,743,095
1999	1,320	335,380	396	45,508	6,789,443	10,913,873	8,377,825	

Notes:

- (1) Includes additions, conversions and razings.
- (2) Source: State of Maryland Department of Assessments and Taxation.
- (3) Source: City of Baltimore, Bureau of Accounting and Payroll Services.
- (4) Effective July 1, 1992, only permits with a value of \$10,000 or more are reported.
- (5) Source: FDIC Data Book for respective years, figure for fiscal year 1999 unavailable.

**CITY OF BALTIMORE**  
**Principal Taxpayers**  
**for the year ended June 30, 1999**

(Dollars Expressed in Thousands)

**Unaudited**

Taxpayer	Type of Business	1999 Assessed Value	Percentage of Total Assessed Value
Baltimore Gas & Electric Company	Power Utility .....	\$ 582,395	7.0%
Bell Atlantic — Maryland	Telephone/Communications .....	339,517	4.1
General Electric Capital Corporation	Leased Property .....	115,032	1.4
AT&T Communications of Maryland	Telephone/Communications .....	66,490	0.8
Baltimore Center Associates Ltd. Partnership	Real Estate .....	47,854	0.6
Boston Properties	Real Estate .....	37,906	0.5
Wheelabrator Baltimore L.L.C.	Solid Waste Disposal .....	33,737	0.4
CSX Transportation, Inc.	Railroad .....	30,025	0.4
TMCT, LLC	Newspaper .....	21,698	0.3
Baltimore Steam Company	Thermal Energy .....	20,403	0.3
		<u>\$1,295,057</u>	<u>15.8%</u>

**CITY OF BALTIMORE**  
**Demographic and Miscellaneous Statistics**  
**for the year ended June 30, 1999**  
**Unaudited**

**Form and Structure**

City incorporated in 1797 with Home Rule Charter since 1918

Executive and Legislative Officials:

Mayor	runs city-wide
Comptroller	runs city-wide
City Council, President	runs city-wide
Other City Council Members	by district

Above officials serve concurrent four year terms with no term limits. There are three Council Members in each of the six districts

**Principal Public Service Departments**

Department	Full Time Budgeted Positions		
	FY1999	FY1995	FY1991
Education	10,293	9,853	9,745
Police	4,043	3,782	3,652
Fire	1,777	1,843	2,008
Public Works	5,826	5,872	4,489
Recreation and Parks	345	687	753
All Other Employees	4,252	4,366	7,141
Totals	26,536	26,403	27,788

**Economy**

	FY1999	FY1995	FY1991
Retail Sales (in billions)	\$ 4.5	\$ 3.9	\$ 3.5
Income/Cap (1)	(2)\$ 24,453	\$ 21,461	\$ 18,592
Total Employment	(3) 276,623	286,808	303,011
% Unemployment	(3) 9.0%	8.5%	10.1%
Office Vacancy Rate	11.5%	24.0%	17.3%
Real Property Tax Rate	\$5.82/100	\$5.85/100	\$5.95/100

(1) Calendar year figures.

(2) Calendar year 1997 is the latest year available.

(3) Calendar year 1998 is the latest year available.

**Demographics (thousands)**

Fiscal Year	Population(1)	FTEs	Registered Voters	Over 65(1)
1999	631.5	100.5	335.2	(2)85.8
1990	736.1	113.7	386.6	99.8
1980	786.8	136.2	392.8	100.2
1970	905.7	194.1	431.1	95.9
1960	925.2	(3)198.3	(3)440.4	84.7

FTEs = Full Time Equivalent Students

(1) Calendar year figures

(2) Imputed from 1997 ratio to population

(3) Imputed from 1970 ratio to population

**Infrastructure**

Police Stations .....	9
Fire Stations .....	46
Public Schools:	
Elementary .....	104
Combined Elementary and Middle.....	18
Middle.....	25
Secondary.....	18
Other Facilities .....	19
Street miles .....	2,000
Storm Drain miles.....	1,000
Sanitary Sewer miles .....	3,100
Park acreage .....	6,500
Recreation Facilities:	
Zoo (attendance).....	655,000
Arena (attendance).....	700,000
Aquarium (attendance).....	1.6 million
Pools and Beaches.....	10
Golf Courses .....	5
Ice Rinks.....	2
Indoor Soccer Fields.....	2
Library Facilities .....	26
Volumes (millions) .....	3.3
Circulation (millions) .....	1.3
Other Facilities (attendance):	
Oriole Park at Camden Yards.....	3.4 million
PSINET Stadium .....	686,000
Convention Center.....	556,000
Baltimore Museum of Art.....	278,000
Walters Art Gallery .....	200,000
Meyerhoff Symphony Hall .....	398,000